



Michigan Nonprofit Association

**Testimony of Kelley Kuhn
Interim President and CEO
Michigan Nonprofit Association
Before the
U.S. House of Representatives
Committee on Ways and Means
February 15, 2013**

Comprehensive Tax Reform

The Itemized Deduction for Charitable Contributions

The Honorable, Representative David Camp
Chairman, Committee on Ways and Means
U.S. House of Representatives

Dear Chairman Camp,

On behalf of the Michigan Nonprofit Association (MNA) and the more than 48,000 nonprofits in Michigan, I would like to thank you for holding this hearing on the value of the charitable tax deduction and its role in incentivizing American's charitable giving.

Michigan Nonprofit Association's Position

Altering the charitable tax deduction would jeopardize charitable giving in Michigan and across the United States. The nonprofit and charitable giving community continues to endure unprecedented challenges that attack the nonprofit sector's economic security and ability to better assist our fellow Americans in need. Yet, nonprofits have endured and even found new ways to expand their missions to encompass more families and individuals in need of help. While dealing with less funding is a present reality nonprofits contend with daily, the threat of altering the federal charitable tax deduction in a way that lessens the incentive for Americans to give to charity will force more nonprofits to shrink their missions, others to shudder their operations and close their doors, as well as create job loss in a sector that employs one out of every ten Michigan residents.ⁱ We strongly urge federal lawmakers not to alter the charitable tax deduction and its success in incentivizing charitable giving. But instead, MNA encourages members of Congress to work with the nonprofit sector to better incentivize the giving of fellow Americans which will do much to alleviate the pressures on federal, state and local governments as unfortunate budget realities continue to bring prospective cuts to fruition.

Testimony Regarding the Itemized Deduction for Charitable Contributions

The nonprofit community in Michigan employs one out of every ten residents in our state and is responsible for \$137 billion in overall economic activity.ⁱⁱ It is also important to note that while Michigan's economic downturn produced contraction in various employment sectors, the nonprofit sector was the only sector that grew in response to the economic difficulties.ⁱⁱⁱ It is also during this time that neighborhood nonprofits in Michigan and across the nation can attest to an

increased demand for services, many of whom for the first time witnessing former financial contributors become new clients. As our national economy and the State of Michigan's remains in the slow process of recovering, demand for these services have not lessened demonstrably. Yet, efforts to alter a dynamic and dependable revenue stream such as the charitable tax deduction for nonprofits experiencing strong demand will create an adverse and potentially destabilizing impact on Michigan's nonprofit sector and for other nonprofit sectors across the nation.

The United States has recognized the vital nature of charitable giving in fostering a healthy democracy and society since the inception of the charitable tax deduction in 1917. This early recognition by policymakers less than a century ago was a singular driver in making the nonprofit sector and the charitable giving community in the United States perhaps the most vibrant in the entire world. Although the budgetary troubles and debt liability our nation faces is not unsubstantial, altering the charitable tax deduction will result in Michigan nonprofits and other nonprofits across the U.S. having to face recurring budget shortfalls and a reduction of the positive impact of their social missions to make a difference in the health, welfare and culture of fellow Americans. This end result will be tantamount to critically harming communities across our nation through the elimination of resources and support that lift residents out of poverty and makes secure essential spheres of daily life such as aging, health and wellness, housing, arts and culture and other areas too numerous to list.

Altering the charitable tax deduction will negatively impact a nonprofit sector in Michigan that accounted for 435,000 jobs in 2011.^{iv} Moreover, the charitable tax deduction is doing exactly what it is designed to do: be a fair and efficient way for the United States government to spur investment in communities. Whether an individual donor in the highest tax bracket donates a check for \$1000 to charity or a middle-class family makes the same amount of donation over the course of a year to charitable causes, the government forgoes \$350 in tax revenues but communities benefit from the entire gift.^v This aspect of the tax code leverages a nearly 3 to 1 ratio of private spending to support the urgent community needs of fellow Americans. Further, evidence shows that while the charitable tax deduction may not encourage whether a donor will give to charity, it does influence how much they will give to charity and increases the eventual amount donated.^{vi}

Attached to this testimony are letters from nonprofit organizations in the State of Michigan that describe the potentially destabilizing costs to their missions should the charitable tax deduction be altered at the federal level. MNA urges the Committee and members of Congress not to alter the charitable tax deduction as budget cuts at all levels of government will inevitably increase demand for our sector's services.

Respectfully,

Kelley Kuhn
Interim President & CEO
Michigan Nonprofit Association

MNA ENDNOTES

- i Public Sector Consultants. “Economic Benefits of Michigan’s Nonprofit Sector.” Michigan Nonprofit Association, 3 Dec. 2012. Web. 5 Feb. 2013. <<http://nonprofit.pscinc.com>>
- ii *ibid.*
- iii Public Sector Consultants. “Michigan’s Nonprofit Sector through the Recession.” Michigan Nonprofit Association, May 2010. Web. 12 Feb. 2013. <http://nonprofit.pscinc.com/MNA%20Recession%20Update_2010.pdf>
- iv Public Sector Consultants. “Economic Benefits of Michigan’s Nonprofit Sector.” Michigan Nonprofit Association, 3 Dec. 2012. Web. 5 Feb. 2013. <<http://nonprofit.pscinc.com>>
- v Independent Sector. “Preserve the Deduction for Charitable Giving.” Independent Sector, 2011. Web. 12 Feb. 2013. <<http://www.scanpo.org/files/2011/06/IS-Charitable Deduction-summary.pdf>>
- vi Barrett, Kevin Stanton, Anya M. McGuirk, and Richard Steinberg. “Further Evidence on the Dynamic Impact of Taxes on Charitable Giving.” *National Tax Journal* 50.2 (1997): 321-334. Web. 12 Feb 2013. <[http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/27bf476b11b84bf385256863004a5948/\\$FILE/v50n2321.pdf](http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/27bf476b11b84bf385256863004a5948/$FILE/v50n2321.pdf)>