



Charitable Deduction Position Statement ***Adopted 11/6/12***

Recommendation:

Consistent with the Southeastern Council of Foundation's strategic plan and its goal to promote philanthropy's role and purpose and actively defend its independence, SECF supports public policy that encourages charitable giving. SECF understands the role that tax policy plays in encouraging and structuring gifts that support nonprofit organizations and communities. The Government Affairs Committee recommends that the SECF board adopt the following position statement in support of the charitable deduction:

The Southeastern Council of Foundations supports maintaining full deductibility of itemized charitable deductions. Furthermore, SECF urges policymakers to support charitable giving by opposing proposals to cap the charitable deduction for federal taxpayers.

Current law:

Individuals can reduce their taxable income by the amount of the charitable contributions they make if they itemize their deductions. As a result, taxpayers generally are not subject to federal income taxes on money they give away to charities. Some limits may apply depending on the type of gift (cash, stocks, and real property, for example) and the type of organization to which the gift is given.

Background:

Congress and the President have considered changes to the deductibility of charitable gifts for much of 2011 and 2012. Most recently, the President's FY 2013 budget would cap the charitable deduction at 28 percent for high-income taxpayers.

Rationale:

- As the country is likely to face broad-based tax reform in the new year, elected officials must understand the impact of their legislative choices on the philanthropic sector and promote policies that provide incentive for charitable giving.
- Charitable deduction is a powerful incentive to give. At a time when charities are faced with increasing demands from their communities, it is important that public policies support and encourage charitable giving.
- Giving would decrease without the deduction or with a cap. A 2011 study by The Center on Philanthropy stated that giving by households with incomes of \$200,000 or more would have decreased by \$820 million in 2009 and \$2.43 billion in 2010 had the administration's proposal been in effect. Furthermore, it has been estimated that with no charitable deduction, annual giving would decrease by 25 to 36 percent.
- Charitable deduction law effects donations to foundations. A 2006 study by the Center on Philanthropy reported that individuals earning more than \$200,000 a year were responsible for nearly 80 percent of gifts to foundations --- \$21 of \$27 billion.

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