

The Senate Finance Committee is voting **this week** on numerous amendments that would **severely limit the value of the charitable deduction**, and the Partnership for Philanthropic Planning is asking that you take action now!

Under current law, taxpayers earning more than \$200,000 annually and families earning more than \$250,000 annually can take itemized charitable deductions at a rate equal to their marginal tax bracket, 33 percent or 35 percent, respectively. A number of amendments filed to the America's Healthy Future Act of 2009, however, would **cap the value of itemized deductions** at 33 percent or 35 percent for taxpayers whose tax brackets would actually increase to 36 percent or 39.6 percent in 2011.

Please call both your United States Senators and ask that they do all they can to protect the value of the charitable deduction.

To find your Senator's phone number, you can use an [online directory](#) or simply call the Capitol Switchboard at (202) 224-3121 and ask for the information. Remember that telephone calls are taken by a staff member, not the Senator him or herself. Therefore, when you call the office just identify yourself and the organization for which you work and ask to speak with the staff member who handles tax issues. If that staff member is not available, ask to share your message with the person who answers the phone.

Talking points are below. For more information on this important issue, please review a [letter](#) the Partnership sent earlier this week to Senate Finance Committee Chairman Max Baucus and a recent Chronicle of Philanthropy [article](#).

- Proposals that would reduce the value of charitable deductions for certain donors represent a step in the wrong direction, especially during these economic times. As charities struggle to meet increased demands for their services with shrinking resources, we need to encourage all individuals, regardless of income and wealth, to give to charity.
- According to a 2008 Bank of America Study on High Net-Worth Philanthropy, high net-worth households (household income greater than \$200,000 and/or net worth of at least \$1 million) give between 65 and 70 percent of all individual giving in America. These are the taxpayers who have the resources to give to charitable causes consistently, and U.S. tax policy should encourage them to continue to give generously.
- In addition, a recent study conducted by Michelle and Robert Yetman at the University of California at Davis found that donations to charities that appeal to higher human needs, such as education, arts and culture, and environmental causes, are very sensitive to tax incentives. The authors suggest that decreasing the value of the charitable tax deduction will likely decrease the amounts of donations received by these types of charities.
- Charities often step in to fill the gap when government and the private sector are unable to provide adequate services or support. After natural disasters such as Hurricane Katrina and the recent Midwest floods, Congress provided additional incentives for individuals to make charitable donations. Limiting the value of itemized deductions would do the exact opposite—it would increase the cost of

giving during a challenging fundraising climate. States facing budget crunches have recognized the value of charitable incentives. For example, New York has exempted charitable contributions from its limits on itemized deductions for taxpayers earning more than \$1 million annually.

- The true beneficiaries of the charitable deduction are not the generous Americans who make charitable gifts, but all citizens whose local communities, nation, and world are made better through the work of charitable organizations. Tax incentives for charitable giving send a message that helping others is a core value to be encouraged. The charitable deduction is not a matter of providing a reward or something of value to the taxpayer; rather it is a matter of encouraging those with financial means to use their wealth to help those without.
- Nevertheless, while high-income taxpayers probably would continue to give if a limitation is enacted, it will likely affect the timing and size of their gifts. Even though the proposals would not take effect until 2011, we are already hearing from our members that donors are delaying gifts and multi-year pledges.
- The charitable deduction is unlike other itemized deductions whereby it encourages people to voluntarily give away their money for the benefit of others. If anything, incentives for this type of behavior should be enhanced, not limited.