A Call for Expanded Giving to Community Serving Organizations

Stanley Carlson-Thies and Melissa Rogers

Area: Civil Society

Issue: Encourage private giving to charitable organizations serving those in need

Problem:

The deep economic downturn has increased the demands on community serving organizations while decreasing (or threatening to decrease) the resources those organizations require to assist those in need. Due to the economic crisis, individuals and businesses are less able to give. The declining stock market has further undermined charities by shrinking the value of their endowments and gifts of stock and by reducing the assets of foundations and decreasing their grantmaking. At the same time, the number of jobless and working-poor Americans is rapidly rising. Many of them are now turning to charitable organizations for assistance.

Recommendations:

1. Work with Congress to Enact Charitable Contribution Deduction for Nonitemizers and Other Charitable Giving Incentives

President Obama should work with Congress to enact tax-law measures, in particular a tax deduction for nonitemizers who donate to charities, that promote greater private giving. As part of his economic stimulus package or in other legislation, President Obama should urge Congress to pass a bill that would allow nonitemizers—66% of all taxpayers—to deduct a portion of their charitable gifts. Studies have shown that when the government gives taxpayers deductions for their charitable contributions, taxpayers contribute substantially more to charities. Legislation authorizing such a deduction should create a mechanism that would track its impact, and the deduction should be subject to the tax rules normally governing charitable contribution deductions, including substantiation requirements. This deduction would bring about greater fairness in our tax policy and create additional resources for community serving organizations as they seek to meet growing needs.

The President should additionally encourage Congress to enact other changes that will foster private giving, such as extending beyond 2009 the ability of older people to give money from their IRAs to charity without incurring taxes on the withdrawal and extending food inventory giving incentives.

The federal government itself is facing massive deficits as it increases its own counter-cyclical spending while its revenues are declining. Nevertheless, given how important private charity is to people in need, especially in crisis times such as these, and how a relatively small federal tax
incentive can leverage much larger private donations, the President ought to encourage Congress to propose a range of creative giving incentives and to promise to support as many as possible.

Summary of Some Previous Legislation:

In 2001 President George W. Bush called for nonitemizers to be given the same deduction for charitable contributions that itemizers receive. In January, 2002, the Working Group on Human Needs and Faith-Based and Community Initiatives endorsed this concept. The Working Group, which included religious and secular leaders from across the political spectrum, said: “The first dollar given [to charitable causes] by one who cleans the office building by night should receive the same treatment as that of the executive who runs the building by day.” A study commissioned by Independent Sector and conducted by PricewaterhouseCoopers found that the nonitemizer charitable deduction proposed by President Bush would have increased charitable giving by more than $14.6 billion.

The bipartisan Charity Aid, Recovery, and Empowerment (“CARE”) Act in 2002 included a charitable deduction provision for nonitemizers that would have allowed single filers to deduct charitable contributions over $250 and joint filers to deduct gifts over $500. A ceiling of $500 would have applied to individual donors, while a $1,000 ceiling would have applied to those filing jointly. The CARE Act also provided that donors who are at least 59 ½ would be able to rollover amounts from a traditional or Roth IRA to create a life income gift to charities, and donors who are at least 70 ½ would be eligible to rollover amounts also from an IRA as direct gifts. Further, the CARE Act would have expanded enhanced tax deductions for food donations to charities. The Senate Finance Committee approved the CARE Act in June 2002. Efforts of Senate leaders and the Bush White House to negotiate an agreement to bring the bill to the Senate floor near the end of session failed, and thus the full Senate never considered the legislation. However, the nonitemizer deduction was proposed subsequently in several other bills, including bills that passed the House and the Senate with overwhelming votes in 2003 but never went to conference committee.

IRA charitable rollover provisions and food inventory giving incentives were enacted in 2006 as a part of the Pension Protection Act. The IRA rollover provisions allowed individuals who were at least age 70 ½ to donate up to $100,000 from the IRAs and Roth IRAs to public charities without having to count the contributions as taxable income. The food inventory provision, according Independent Sector:

permitted grocery stores, farmers, ranchers, small businesses, and restaurateurs to donate wholesome food for hungry Americans and have the same access as corporations to the enhanced tax deduction for contributions of food inventory. The provision extended the section 170(e)(3) deduction for food inventory to all businesses (not just C corporations). The provision extends a deduction equal to the lesser of (i) the taxpayer’s basis plus one-half of the difference between fair market value and basis, and (ii) twice the taxpayer’s basis in the contributed inventory. This incentive was temporarily in effect following passage of the Katrina Emergency Tax Relief Act (Pub. Law 109-73).
Independent Sector notes that Congress extended these provisions through 2009 as part of the Emergency Economic Stabilization Act of 2008. They now need to be extended beyond 2009.

2. Use Bully Pulpit to Call for Counter-Cyclical Charitable Giving

In concert with leaders from faith communities, business, philanthropy, and secular service organizations, President Obama should also issue a call to those sectors to engage in counter-cyclical giving and service in this time of great and increasing economic crisis and need. The specific motivations for giving differ somewhat between different sectors, e.g., between religious and corporate donors. And the leaders to whom members in the different sectors look for moral guidance also differs. So the President should enlist an array of leaders to join him in issuing the call for sacrificial giving to help charities sustain or expand, rather than shrink, their assistance in this time of great economic distress. The President should leave it to civil society leaders to craft the specific challenge that each regards as best for his or her sector. The President should encourage the leaders to commit to specific giving targets (e.g., per denomination or business association) and then, a year hence, host a meeting to assess how the challenges have been met.

Political Outlook:

There has long been widespread bipartisan support for legislation that would create the charitable giving incentives described above (see #1). In January 2002, the Working Group on Human Needs and Faith-Based and Community Initiatives endorsed these concepts. The Working Group included religious and secular leaders from across the political spectrum, including John Castellani of Teen Challenge, Floyd Flake of Allen AME Church, Barry Lynn of Americans United for Separation of Church and State, Ron Sider of Evangelicals for Social Action, David Saperstein of the Religious Action Center for Reform Judaism, and Robert Woodson, Sr. of National Center for Neighborhood Enterprise. If charitable giving incentives were presented as a substitute for increased support for effective government social service programs, however, they would lose critical support. Thus, we recommend that they be part of a package that would increase support for such programs.

President-elect Obama’s support for increasing the capacities of religious as well as secular organizations that serve those in need should make the incoming administration amendable to these ideas.

We also would expect widespread support for a call across religious and philanthropic communities for sacrificial giving for those who have been (and will) be hit the hardest by the economic crisis.

References:


Website of Independent Sector, Charity, Aid, Recovery and Empowerment (CARE) of 2002 (S.476), http://independentsector.org/programs/gr/CARE02.html

Website of Independent Sector, IRA Charitable Rollover Resource Center,  
http://independentsector.org/programs/gr/IRArollover.html

Website of Independent Sector, Food Inventory Giving Incentive,  
http://independentsector.org/programs/gr/food_donations.htm