July 3, 2013

The Honorable Robert Menendez
United States Senate
528 Hart Senate Office Building
Washington, DC 20510

RE: Tax Reform and Charitable Contributions

Dear Senator Menendez:

I understand that Senators Baucus and Hatch have distributed a “Dear Colleague” letter inviting members of the Senate to submit detailed policy recommendations regarding tax reform, tax simplification and the justification for any recommended tax credits, deductions and tax expenditures.

As you know, the Center for Non-Profits is New Jersey’s statewide umbrella organization serving the charitable non-profit community. I am writing to stress the importance of preserving and strengthening charitable giving incentives so that our state’s charities can provide needed services in our communities, and to urge you to take a strong and public leadership role in support of tax incentives for charitable giving.

As a stalwart champion of our state’s non-profit community, you know that non-profits play a critical role in ensuring a strong social service and civic infrastructure, and are an indispensable part of a vibrant quality of life. Whether providing mentoring to youth, meals to homebound seniors, medical care, disaster relief, substance abuse prevention, education, foreclosure assistance, artistic and cultural enrichment, or preserving our natural resources, non-profits fulfill a vital public function that would leave a gaping void were they not present. Just as important, non-profit organizations are significant employers and purchasers, pumping billions of dollars into New Jersey’s economy every year.

We believe that a robust charitable giving incentive satisfies all of the criteria established by Senators Baucus and Hatch in their June 27 letter for responsible tax expenditures:

1) Helping to grow the economy.
   New Jersey non-profit, 501(c)(3) organizations employ over 304,000 people - nearly 10% percent of the state’s private sector workforce and more than many major industries such as transportation, construction, utilities, finance and insurance – generating payroll and income taxes, and helping to reduce public assistance and unemployment rolls. In 2010 (the most recent year for which data is available), New Jersey public charities spent a combined $37 billion, much of it within the Garden State. Non-profits purchase goods and services from local businesses; pay utilities, telecommunications and related taxes; their employees live, pay taxes and patronize merchants in the area; and they help to spur economic activity and tourism. Additionally, non-profits provide the education, training, skill building and human service activities that make it possible for people to find and keep their jobs, or to forge new career paths.

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Center for Non-Profits is a New Jersey non-profit corporation and a federally recognized 501(c)(3) publicly supported charity.
Making the tax code fairer.

We are concerned about various proposals offered in recent years that would in some way limit the deductibility of charitable gifts, either by establishing a floor or capping the upper end of deductibility. Some of these proposals have been rationalized in the name of tax policy fairness. It’s no secret that poor and middle-class people, and working families have been hard hit by the economic downturn, and it is precisely these people who first turn to charities for help. The organizations that are being counted on to provide vital assistance are not worrying about the tax bracket of the giver; but they are worried that with demand higher than ever, donation levels will suffer as a result of the change – precisely what happened in Michigan after its state-level charitable giving credit was eliminated in 2011.

Charities are able to leverage charitable donations by soliciting matching gifts, recruiting volunteers, partnering with other organizations, and engaging in a wide variety of innovative activities to address critical social needs. Consequently, one way to advance tax fairness would be to EXPAND the charitable deduction – including re-extending charitable giving incentives to non-itemizers, which were eliminated as part of the Tax Reform Act of 1986.

Effectively promoting other important policy objectives.

Respectfully, we would like to offer just a few of the many compelling policy objectives that we believe are furthered by charitable giving incentives.

- Governments at all levels and society in general are relying increasingly on charitable organizations to provide a wide array of programs and services. Indeed, that is one of the many social values of the charitable giving incentive: a healthy charitable sector lessens the burden of government. Socially and economically, there is a strong connection between a vibrant non-profit community and a strong quality of life for the people of our state and nation.

- Unfortunately, non-profits are straining under the weight of the economic downturn, skyrocketing demand for services and reduced funding from all major sources, including government. The across-the-board “automatic sequestration” cuts are already having a negative impact on non-profits and communities. These cuts come on top of four years of steadily shrinking budgets of state governments totaling over $250 billion by one estimate. Additionally, the most recent available IRS data show that in New Jersey alone, charitable deductions claimed by itemizers in 2011 were nearly $600 million below 2007 pre-recession levels. One study by the Indiana University Center for Nonprofits and Philanthropy has suggested that it could take 4 years or more for an economic recovery to reach the charitable community in the form of restored levels of giving, considering the time it takes for people to find – and be secure in – employment and for investment portfolios to bounce back for foundations and corporations to return giving to previous levels.
• Unlike other provisions in the tax code, the charitable deduction is the only deduction that rewards a taxpayer for an action providing a public, rather than a personal, benefit. We strongly believe that encouraging investment in the greater societal good, which is the essence of the charitable giving incentive, is a vital public policy objective that must be preserved and strengthened.

While we agree that sound policy demands a thorough examination of all options, and we understand the desire to start with a “clean slate,” charities are not operating in a vacuum. In New Jersey and across the country, non-profits are helping to preserve a fragile economy and keep a fraying safety net intact. Congress relies on charitable non-profits to provide essential services for constituents and communities. Charitable giving incentives are a vital, cost-effective tool to get that work done. The relief and recovery work in the wake of Superstorm Sandy provide a stark reminder of why support for charities is so desperately needed. In this climate, we need to do more to encourage giving, not less.

Please join us in standing up for the residents served by, working for, and donating to the non-profit community. We urge you to take a vocal, public stance in support of protecting and strengthening charitable giving incentives so that non-profit organizations have the ability to serve those most in need and to continue to strengthen our New Jersey communities.

Thank you for your consideration.

Sincerely,

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