September 20, 2011

The Honorable Doug Lamborn  
United States House of Representatives  
437 Cannon House Office Building  
Washington, DC 20515-0001  

Dear Congressman Lamborn:  

The American Jobs Act of 2011 contains a number of important measures that would foster job creation for large and small businesses alike including payroll tax reductions, credits for hiring the long-term unemployed, and reforms to unemployment insurance. Despite our general appreciation of this legislation, the Colorado Nonprofit Association, which represents over 1,300 nonprofits statewide, has concerns with the current version of the bill.

First, we are opposed to changes that weaken the charitable deduction as provided in American Jobs Act of 2011. This provision would undermine efforts to create jobs in the nonprofit sector and harm nonprofits generally. Unless the Joint Select Committee on Deficit Reduction determines additional measures to cover the cost of the American Jobs Act, this legislation would require that itemized deductions be limited to 28 percent for all taxpayers with annual incomes of $200,000 or more, or $250,000 or more for joint filers. Since income tax rates for these taxpayers would otherwise fall between 36 and 39.6 percent, this proposal reduces the amount that these taxpayers can deduct for charitable contributions.

Although tax incentives are considered less important for most donors, they are more important in motivating giving by itemizers and higher income donors who account for the majority of charitable gifts. A 2011 Association study entitled Understanding Giving: Beliefs and Behaviors of Colorado’s Donors surveyed 700 adults on their giving practices found:

- While 38 percent of respondents overall indicated that tax benefits are an important reason for giving, 59 percent of respondents with annual incomes exceeding $100,000 indicated that tax benefits are important.
- For itemizing taxpayers, 49 percent surveyed indicated that tax benefits are important.

Nationally, taxpayers with adjusted gross income exceeding $100,000 accounted for about 58 percent of all charitable giving in 2008 according to the Congressional Budget Office. Itemizers accounted for 33 percent of taxpayers but accounted for more than 70 percent of the $229 billion donated to charity in 2008, according to data from Independent Sector.
Limiting itemized deductions for wealthy households reduces their incentive to give at a time when we should encourage more, not less, giving to nonprofits. According to analysis by Harvard Professor Martin Feldstein in 2009, this proposal would reduce charitable revenues by more than $7 billion a year. Without these revenues, many nonprofits would be forced to eliminate jobs—contrary to the intent of the legislation—and reduce the services they provide, many of which help people facing the challenges of our recovering economy.

Second, some the provisions of the bill do not benefit nonprofit and for-profit employers equally. For example, the maximum amounts of tax credits for hiring veterans and the long-term unemployed are less for nonprofits than for-profits. We recognize that not every provision of the bill applies to nonprofit employers but nonprofits should benefit equally from provisions meant to help all employers create jobs. You can find a comparison of benefits for employers at http://www.independentsector.org/american_jobs_act_of_2011

Nonprofits employ about 10 percent of the American workforce. We are confident that Congress will take steps to help nonprofits and businesses create jobs and reduce the unemployment rate. But we ask that you seek alternative ways to pay for these measures that support nonprofits, treat them equally to for-profit employers, and do not undermine this critical effort to create jobs.

Sincerely,

Renny Fagan
President and CEO
Juan Botello
Chair, Board of Directors