November 10, 2011

The Honorable Ed Perlmutter
United States House of Representatives
1221 Longworth House Office Building
Washington, DC 20515

Dear Congressman Perlmutter:

We appreciate that Congress is taking on the critical task of reducing the federal deficit and taking steps to ensure our nation’s prosperity. The nonprofit sector stands ready as an important partner with our government to this end, employing about 10% of our nation’s workforce, contributing more than 5% to the nation’s GDP, and fostering 8.1 billion hours of service from volunteers (www.independentsector.org/economic_role). Much of our strength as a sector and as a partner with government depends on the availability of tax-deductions for individuals making contributions to the charitable causes they support.

Unfortunately, changes under consideration by Congress could weaken the charitable deduction and reduce its power as an incentive for charitable giving. While a number of ideas have been suggested that would alter tax benefits for charitable giving, most discussion has centered on limiting certain itemized deductions for high income taxpayers including the charitable deduction. As you consider deficit reduction legislation, we ask you to protect the charitable deduction and oppose changes that weaken it.

Although numerous studies suggest that tax incentives are less important to some donors, incentives are more important in influencing the amount and timing of the gift particularly for high income donors. A 2011 Association study entitled Understanding Giving: Beliefs and Behaviors of Colorado’s Donors (www.coloradononprofits.org/understandinggiving.cfm), which 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 (www.cbo.gov/ftpdocs/124xx/doc12480/10-18-charitableTestimony.pdf). Itemizers in general 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 (www.independentsector.org/uploads/Policy_PDFs/Charitablededuction4272011_1.pdf).

Serving nonprofits. Strengthening communities.
Changes that significantly reduce the incentive are likely to also significantly reduce giving at a time when nonprofits need more revenues to meet increased demands for service and programs. Nearly 4000 nonprofits nationwide, and more than 200 Colorado nonprofits, recently signed a letter urging members of the Supercommittee to preserve the deduction (see http://www.givevoice.org/letter). Colorado nonprofits are working to both strengthen our communities and help people face the challenges of our recovering economy. We are a vital partner in helping to see Colorado through these difficult times. We hope that you will protect the charitable giving incentive and continue to support the strength of Colorado nonprofits.

Sincerely,

Renny Fagan  
President and CEO

Juan Botello  
Chair, Board of Directors