

John R. Killacky Testimony
Vermont House Ways and Means Committee, 3/12/15

I am not opposed to limiting federal tax deductions, but I do ask you to **consider excluding charitable contributions** in the calculation. Otherwise, I believe this could have many **unintended consequences** for Vermont's nonprofits.

In recent years, several state legislatures considered **capping itemized deductions or reducing existing tax incentives for charitable giving** - but then **reversed course** when they saw the damage that could result to their constituents.

- **Oregon, North Carolina, Kansas exempted charitable donations in their tax reforms.**
- **Minnesota** voted to **retain their state's reliable charitable deduction laws** after rejecting a switch to a tax credit system.
- **Missouri**, which had allowed a series of **tax credits to lapse**, **restored** them for giving to charity.
- **Montana** **extended the state's charitable endowment tax credit** for another six years, calling it "**good, stable tax policy**" providing "**a huge benefit to the people of Montana.**"
- **Hawaii limited itemized deductions back in 2011.** Last year, the **governor removed restrictions** on charitable donations, noting the **additional \$12 million** in annual revenue to the state came at a **cost of at least \$60 million** per year in lost donations to nonprofits. Here is what the **governor said** "*After having taken a close look at the impact this particular section of the law is having on charitable donations made to Hawaii's nonprofit organizations, we support carving out this portion of the law" to protect full deduction of charitable contributions.*

In a nation-wide **Bank of America Merrill Lynch** Study of High Net Worth Philanthropy, **67%** of people interviewed said they would **decrease contributions if they did not receive an income tax deduction**. We need this giving to be **encouraged, not diminished**, to keep nonprofits **robust, sustainable, and most importantly, addressing needs is our community**.

Nonprofit organizations work with you to solve problems that are too big for government alone. Any short-term gains in tax revenue will come at the expense of the already insufficient social safety net that nonprofits provide and will be much more costly to Vermont long-term.