

April 28, 2014

TO: Vermont Senate Finance Committee

FR: Andy Robinson, consultant and author, Andy Robinson Consulting LLC

RE: End the charitable deduction, create a **charitable tax credit** – in a **different way**

1. Background, www.andyrobinsononline.com

- 35 years with nonprofits, 20 years consulting and training, 13 years in Vermont.
- Served clients in 47 states and across Canada.
- Author of six books on fundraising and nonprofit management.

2. The economic impact of nonprofits in Vermont

- \$6 billion industry, 20% of Vermont's workforce.
[\(http://blog.commongoodvt.org/2015/02/fast-facts-the-economic-power-of-vermonts-nonprofit-sector/\)](http://blog.commongoodvt.org/2015/02/fast-facts-the-economic-power-of-vermonts-nonprofit-sector/)
- Most rely on a mix of funding: private giving, government grants, fees for service.
- Most nonprofits want the state to continue funding nonprofits, but will resist changes to the tax laws that could affect private giving. This is shortsighted.

3. Facts about charitable giving

- 70% of American households give to nonprofits; 30% of households itemize. Literally most donors get no tax benefit for their giving under current law.
- During the recent recession, households earning more than \$200,000 gave *4.5% less*; households earning \$100,000 or less gave *4.5% more*.
 [\(http://philanthropynewsdigest.org/news/wealthy-donating-smaller-share-of-income-to-charity-study-finds\)](http://philanthropynewsdigest.org/news/wealthy-donating-smaller-share-of-income-to-charity-study-finds)
- According to the Congressional Budget Office, President Obama's proposed cap on charitable deductions would result in a decline of \$10 billion nationally, *a 3% reduction*.

I believe capping or eliminating the Vermont charitable deduction would have a similar modest impact on giving. Why can't nonprofits accept this potential loss and say, "We are willing to do our part" – especially if increased revenue helps to protect government programs that serve our nonprofit clients and customers?

4. The proposed tax credit is upside down

- The Senate Finance Committee proposes to end the charitable deduction and replace it with a charitable tax credit for high-income earners who itemize.
- A more equitable strategy would be to provide a tax credit to all taxpayers, including those who take the standard deduction – for example, a 50% credit for all giving capped at \$1000 per year per household, regardless of where the nonprofit is located.
- This proposal would stimulate giving from smaller donors – who are *most of the donors* in Vermont – and raise more revenue from wealthier Vermonters by eliminating the charitable deduction and capping the charitable tax credit.

5. In praise of taxes – even if they reduce charitable donations

- “Taxes are the price we pay to live in a civilized society” – Supreme Court Justice Oliver Wendell Holmes
- Nonprofit leaders need to talk more about what we buy with our tax dollars. Not only a safety net for the poor and dignity for the elderly, but also roads, bridges, courts, parks, public safety, public schools, public transportation, public airwaves, regulations that protect our food, water, air, workers, drivers, other species, etc. Government is not “them.” It is us. It's how we express our common values and create shared rules and expectations.
- Under the proposed changes, I would pay more taxes – and I accept that graciously, because I believe Vermont is worth my investment.