



To: Senate Finance Committee

From: Martha Maksym, Executive Director
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Re: Including the Charitable Tax deduction in a Cap

Date: March 24, 2015

My name is Martha Maksym. I am Executive Director of United Way of Chittenden County. Thank you for this opportunity to speak with you today. I understand that this committee is hearing from witnesses as it embarks on restructuring our tax code for the 21st century. As you contemplate this issue, I know the House tomorrow will be debating a budget proposal that includes changes to Vermont's tax code by capping itemized deductions for tax filers, and has included deductions for charitable giving in that cap.

I have a strong philosophical and policy concern about the tax cap proposal. This has been a position that Gretchen Morse, then Executive Director at United Way of Chittenden County stated back in 2011 when the legislature was having the same discussion after the Blue Ribbon Tax Commission report was released. I do not view the charitable tax deduction the way I view other tax deductions. It is distinctly different than a mortgage or property tax deduction because the charitable tax deduction results in a benefit that goes beyond the taxpayer to serve a greater good. I can speak specifically in regard to human services in that

Vermonters are reliant on the non-profit sector to provide services government would otherwise have to provide. In many instances these partnerships with non-profits are defined in statute. Even if the charitable deduction is an incentive for taxpayers to make contributions, the transaction should be considered a social contract between the taxpayer and government *because it leverages additional resources not available to state government that are fulfilling the responsibility of state government and contributing significantly to Vermont's quality of life.*

Discussing charitable tax deduction solely as a tax code issue, in my opinion, completely misses the point. If anything, the tax code should be revised to further incentivize charitable giving, not discourage it.

Let me give you a few specific examples. And I want to say that the programs I am about to list also receive funding from United Way of Chittenden County, and receive significant direct philanthropy as well, so there's a public-private funding partnership that I have yet to hear acknowledged by any of the legislative committees looking to balance the State budget. If this public private partnership was actually more pronounced, could you imagine the potential of using philanthropy to draw down even more federal funding to support these state mandated services? I feel like these budget and tax code discussions are happening in a bubble. State government can't, *and doesn't*, fulfill its obligations to the most vulnerable among us on its own. Philanthropy can't do it alone. Families can't do it alone. This is where the social contract comes in.

Last year, the VNA of Chittenden and Grand Isle counties lost \$1.8 million providing services *mandated by state government as a designated agency.* Much, but not all, of that gap, was filled by philanthropy. We know that five days in a hospital costs the same as 39 days in a nursing home or 138 days of home health care so the VNA services are a bargain by any measure. Howard Center last year

lost over \$650,000 in increasing its capacity to serve opiate addicts at the methadone clinic in South Burlington. Much, but not all, of that gap, was filled by philanthropy. Last year, I provided almost \$247,000 to seven high quality early care and education programs that served 284 at risk children. My \$247,000 in philanthropy just filled the gap between the actual cost of this excellent care and the childcare subsidy these centers were receiving from state government to serve these 284 very vulnerable children and made it possible for these centers to stay open. Because you know and I know that the subsidy doesn't even begin to cover the costs of excellent care, and the costs of *not* having this care are even greater in the long term. Lund Center last year in its residential treatment program served 79 women. 90 children lived with these women during treatment and received developmentally appropriate services. 22 babies were born during treatment and *all* of those babies were born free of illicit substances. What does three months in the NICU detoxing an infant cost? The state contributes to that excellent program and I contribute to that excellent program. There's a partnership. If you reduce or eliminate your support, should I as well? Will the impact of my investment be nearly as great without the state funds it leverages? This winter, Chittenden County saw amazing partnerships with between DCF, United Way, Champlain College, First Congregational Church, UVM Medical Center, OEO and CVOEO to set up and run an overflow warming shelter. This public-private partnership ensured that our most vulnerable neighbors had a safe warm place to be during this especially frigid winter, and we reduced state spending on motels. The state contributed. Philanthropy contributed. It wouldn't have happened otherwise.

When our state government's financial responsibility to long-standing partnerships with the non-profit sector is seriously strained, as it is right now, it is

very short sighted to undervalue the impact of having a deduction on charitable giving and what that giving, especially in these challenging times, can sustain when federal and state dollars are shrinking this significantly. I have had several donors call to say this deduction would impact their giving, and I have had many non-profits say that with the cuts being proposed to core services, they simply can not sustain any further erosion of support. As you face the daunting task of developing our state's budget in these challenging fiscal times, I believe that the *very last* thing the legislature should do is discourage charitable giving which is where these critical non-profit programs and services-many of them the very prevention programs that save money in the long term- will find the support needed to fulfill their critical missions. The risk is just too great. And weighing the charitable tax deduction solely as a tax code issue impacting only a small number of higher wealth individuals who itemize their deductions, in my opinion, completely misses the point.

Thank you for your time and consideration.