



To the members of the Senate Committee on Finance:

I am writing on behalf of the Vermont Community Foundation to share our perspective on the potential implications on the proposed charitable tax credit.

Our mission is to inspire giving and to bring together people and resources to make a difference in Vermont. In service to that mission, we work directly with many of the residents in the state who make the charitable contributions that significantly extend the state's ability to support its communities. We also work with many Vermont nonprofit organizations that use those contributions to ensure that children are fed, that young people have a clear path to training or college, that seniors have transportation, that families have housing they can afford, and countless other services that keep our state's population whole.

We applaud the effort to devise some mechanism to maintain a financial incentive to encourage charitable giving in the face of volatile federal tax policy. While our experience at the VCF suggests that the motivations for charitable giving are complex and multi-faceted, there should be no doubt that the change in the standard deduction at the federal level will affect some of the underlying motivation for giving. With fewer people itemizing their tax deductions, we may never know how much or why, but given this state's reliance on the non-profit sector for vital community services, there is a substantial amount of risk to the change.

The question for policymakers is a question of how to share those risks and the consequences of the changes. At the federal level, some policymakers attempted to predict that new underlying economic growth generated by the tax bill would reduce reliance on the social and charitable sector. At some level, that assumption may prove to be right. But it could just as easily prove to be wrong, and if it manifests differently than expected, the burden of being wrong clearly lands on the sector and those it serves: hungry kids and families in poverty, after-school programs and teen centers, artists and musicians, students, our landscape and changing climate.

We are wrestling with a similar dilemma at the state level. Vermont relies heavily on a passionate, committed non-profit sector to deliver many of the services that are fundamental to our overall civic and community health. They frequently reflect longstanding public and private partnerships that rely on charitable contributions to make their budgets work and to achieve collectively-sought social and community impacts. The shift from a tax deduction and the creation of a state tax credit for charitable contributions maintains an important state incentive for giving. We need to hope it works.

What does not make sense to me is the idea of capping eligible contributions at \$10,000. To the extent that there is a population of philanthropic Vermonters whose altruism is affected by this shift in policy, the organizations in your community—the organizations that your neighbors and

their kids rely on—will shoulder the consequence. And while we might hope that this critical source of support for organizations does not diminish, it is unfair to ask those organizations and those they serve to bear the full risk of that assumption being wrong. We support the elimination of the cap on tax-credit eligible contributions.

With utmost respect for your service,

A handwritten signature in black ink, appearing to read 'Dan Smith', with a stylized flourish at the end.

Dan Smith
President and CEO