



ISSUE PAPER

# Maintain Current Law on Charitable Deduction Rates

**Position:** The Council strongly supports maintaining the current law on itemized charitable deductions.

For more information, contact the Council's Government Relations Department at 703-879-0600 or [govt@cof.org](mailto:govt@cof.org)

**Background:** President Obama's fiscal 2010 budget calls for tax changes that would reduce the value of itemized deductions families earning more than \$250,000, or individuals earning more than \$200,000, can take for charitable donations, state and local taxes, and real estate expenses. Specifically, the budget proposes to cap the tax benefit at 28 percent for itemized charitable deductions at the same time that it proposes increasing the top marginal rates from 33 to 36 percent and from 35 to 39.6 percent.

The Administration is proposing using money raised by the new tax cap to help fund health care reform.

**Rationale:** While philanthropy supports the Administration's goal of expanded and affordable health care, we are concerned about the potential impact this proposal would have on charitable giving. A reduction in the charitable deduction rate will reduce the current incentive for donors to give, thus reducing the amount of money available to support worthy nonprofits across the country. Recent estimates indicate that if this provision had been in effect in 2006, between \$4 and \$9 billion in charitable donations would not have occurred\*. Given the current economic downturn, we anticipate a further drop-off in giving if this tax change is enacted.

The Council supports maintaining current law on itemized charitable deductions; at a time when charities and non-profits are faced with increasing demands from their communities, it is important that public policies support and encourage charitable giving. We are eager to work with Congress and the Administration to enact effective health care reforms, but we believe that the cost of such reforms should not disproportionately impact any single sector of the economy.

**Status of the 111<sup>th</sup> Congress:** On July 14, Representative John Dingell (D-MI) introduced a House healthcare bill, America's Affordable Health Choices Act of 2009 (H.R. 3200). This bill does not include president Obama's proposal to cap itemized deductions at 28 percent. The House bill does include a proposal to surtax the top 1.2 percent of taxpayers as a pay-for measure to fund healthcare reform. The Senate Finance Committee has not yet released its version of healthcare reform. The Council will continue to monitor the ongoing debate about how to fund the overhaul of our current health care system.

**We Need Your Help: Please support philanthropy by urging Congress to maintain the present law on charitable deduction rates.**

\* How Changes in Tax Rates Might Affect Itemized Charitable Deductions  
The Center on Philanthropy at Indiana University, March 2009

Proposal to Cap Deductions for High-Income Households would Reduce Charitable Contributions by only about 1.9 Percent Would Help to Finance Universal Health Coverage  
By Paul N. Van de Water  
Center on Budget and Policy Priorities, March 2009

TaxVox- The Tax Policy Center Blog  
By Len Burman  
Tax Policy Center Urban Institute and Brookings Institution, March 2009

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