

## CHARITABLE GIVING

### **Request:**

- Along with the broader charitable community – including Independent Sector and the National Council of Nonprofits – we oppose President Obama’s FY13 budget proposal which would hurt charities, including museums, by reducing the value of the tax deduction for gifts.
- We support allowing artists to deduct the fair market value of donated works (as specified in the Artist-Museum Partnership Act).
- We support a permanent extension of the IRA Charitable Rollover (as specified in the Public Good IRA Rollover Act).

### **Introduction:**

Charitable giving is the lifeblood of museums of all sizes and disciplines; it accounts for more than one-third of museums’ operating funds. At a time when our nation is facing economic uncertainty and many donors are unable to give as they once did, many museums have been forced to cut back on staff, programs, or hours. Some have even closed down entirely. Many of those that remain open face a very uncertain future.

### **Deductibility of Charitable Gifts**

- A proposal to limit the deductibility of gifts would hurt charitable organizations by creating a disincentive for the most generous taxpayers. This is especially harmful at a time when charitable organizations are facing enormous financial challenges stemming from the economic downturn.
- The Giving USA Foundation recently reported that in 2008, the decline in total charitable giving was the greatest since the organization began tracking charitable donations in 1956. 2009 was just as devastating for some charities, which after years of public service, closed their doors for good.
- Studies indicate that donors give for many reasons—incentives such as tax deductions being among them. While Americans do not make charitable gifts only for tax reasons, tax incentives make more and bigger gifts possible. This has been recently demonstrated: During times of crisis, such as the natural disasters like Hurricane Katrina, the 2008 Midwest flooding, and earthquakes in Haiti and Chile, Congress has passed charitable giving incentives to make it easier for Americans to give donations and support to the nonprofits serving individuals, families and communities in need.
  - **STATUS:** The president has proposed to reduce the value of itemized deductions for charitable contributions in his FY13 budget. Under current law, a gift generates a tax deduction that is equal to the tax rate. For example, a taxpayer in the 35% bracket who gives \$1,000 gets a tax saving of \$350. Under the president’s proposal, the same gift would generate a tax saving of \$280. In effect, this means that a portion of donated income is taxed. It is estimated that charitable gifts would fall by about \$7 billion annually if the proposal is approved.

### **Artist-Museum Partnership Act**

- Living artists, writers, scholars, choreographers, and composers – many of whom earn very little – have no financial incentive to donate their works, because they cannot claim a tax deduction for the works' fair market value. Rather, they can deduct only the value of materials, such as paper, ink, paint, and canvas. As a result, works of local, regional, and national significance are sold into private hands and are never made available to the public.
- Small and mid-sized museums – which often do not have the same financial resources and support as larger institutions – rely especially upon donations from creators to build and enhance their collections.
  - **STATUS:** The Artist-Museum Partnership Act of 2011, H.R. 1190, has been introduced in the House by U.S. Representatives John Lewis (D-GA) and Todd Platts (R-PA). The bill provides that a deduction equal to fair market value shall be allowed for charitable contributions of literary, musical, artistic, or scholarly compositions created by the donor, provided that the recipient organization use the work in a manner related to its charitable mission.

### **IRA Charitable Rollover**

- The IRA Charitable Rollover is a tax incentive that allows individuals aged 70½ and older to donate up to \$100,000 from their Individual Retirement Accounts (IRAs) and Roth IRAs to public charities without having to count the distributions as taxable income. Since enactment in August 2006, the IRA Charitable Rollover has generated a significant amount of new charitable giving. Congress has temporarily extended these giving incentives in the waning days of the calendar year for the past few years, making it far less effective as a mechanism for the public to make charitable contributions, but unfortunately let it lapse at the end of 2011.
  - **STATUS:** The Public Good IRA Rollover Act of 2011 has been introduced by U.S. Senators Chuck Schumer (D-NY) and Olympia Snowe (R-ME) as S. 557 and by Reps. Wally Herger (R-CA) and Earl Blumenauer (H.R. 2502) to make the IRA Rollover permanent, remove the arbitrary \$100,000 cap, and reduce the qualifying age to 59 ½.