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ASSOCIATION FOR HEALTHCARE PHILANTHROPY OPPOSES LIMITS ON CHARITABLE TAX DEDUCTIONS

The Association for Healthcare Philanthropy (AHP) today issued the following statement regarding limits on tax deductions for charitable donations proposed in the Obama Administration's budget.

The Association for Healthcare Philanthropy (AHP) opposes the proposal in the President's budget that would impose new limits on charitable tax deductions.

AHP applauds the President's overall efforts in the budget to revive the economy, reform health care, revise energy policy and tackle other important issues affecting the country.

However, the budget also contains a proposal that sends the wrong message at the wrong time to those who support charitable causes. It puts forward a scheme that would effectively devalue charitable gifts made by the very people who are in a position to make substantial donations at a time when they are sorely needed. For those who earn more than \$250,000, the proposal would limit the federal tax deduction they may take for their generosity to 28 percent. Currently, they may claim up to a 35 percent deduction.

In these challenging economic times, charities and nonprofits already are finding it difficult to fulfill their altruistic missions because of reduced donations and resources. Yet, in times of economic trouble, it is charities and nonprofits that do much to augment the work of the federal, state and local government in meeting the needs of the American public through their vital programs and services. In fact, charities currently are being asked to provide even greater levels of assistance. The federal government, therefore, should seek ways to bolster charitable giving—as opposed to requiring charities to do more with less.

In fact, research published by the Congressional Budget Office from 1997, the Urban Institute from 2001, the Association for Healthcare Philanthropy from 2008 and the Center on Philanthropy at Indiana University from 2009 all state that giving is sensitive to price incentives provided by after-tax costs. The question that remains is: by how much?

A report by Indiana University “suggests that had these proposals been in place in 2006, total itemized charitable giving by households would have dropped by 2.1 percent.” And that number fails to take into account the current large decline in America's personal wealth. Americans' generosity in support of nonprofit hospitals and health care systems is substantial, totaling \$8.35 billion last year according to AHP's Report on Giving 2007. This report reveals an important insight concerning the importance of public backing for the nonprofit health care community: Almost 83 percent of all donors last year were individuals. Individuals provided 61 percent of all

donations. Can American hospitals afford to lose 2.1 percent or more in contributions from these families?

Probably not. And, unfortunately, the growth rate of giving to the health care sector is slowing down and the number of donors is flat. According to a 2007 Chronicle of Philanthropy article, "Contributions to health-care institutions rose last year (2006) by 8.3 percent, adjusted for inflation, compared with a 12.9-percent rise from 2004 to 2005." The same conclusion was drawn from an AHP-sponsored study released in September 2008, by John Volpe, Ph.D., collegiate professor at the University of Maryland University College. In *Economic Cycles and Charitable Giving* Volpe concludes that a slowing of the growth in Gross Domestic Product and disposable personal income, as well as uncertainty over the economy are likely to contribute to weakness in charitable giving through 2009.

Yet such charitable giving is and will remain vital to the hospitals and systems to which it flows. According to the American Hospital Association (AHA) November 2008 Report on the Economic Crisis, the capital crunch is making it difficult and expensive for hospitals to finance facility and technology needs. The AHP Report on Giving indicates that more than 45 percent of charitable giving was put to use to upgrade infrastructure, including often long-overdue construction and renovation projects and equipment purchases. An additional 25 percent supported important functions such as community benefit programs, charitable care, research and teaching, and hospice, long-term and nursing care. About 14 percent went to general operations.

These accomplishments were achieved through fundraising and its outreach efforts to grateful families. While the Nation's health care needs are increasing, we must avoid creating obstacles that will diminish and discourage philanthropy.

The steep decline in personal wealth, especially if coupled with proposed limitations on tax deductions, make the outlook for philanthropy over the next 18-24 months bleak. For philanthropy to continue to fulfill its role in the American health care system, this is not the time to drastically change standards for fundraising.

Given the potential devastating impacts of this budget provision on charitable giving, AHP strongly opposes any provision that would impose new limits on charitable deductions. AHP is joined in this opinion by the Association for Fundraising Professionals (AFP).

AHP, established in 1967, is a not-for-profit organization whose 5,000 members manage philanthropic programs in 2,200 of the nation's 3,400 not-for-profit health care providers.