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Through Philanthropy



The Effect of Proposed Changes to Charitable Gift Tax Deductibility on Health Care Philanthropy

AHP Survey Results - February 2011

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Executive Summary

- The U.S. Administration's National Commission on Fiscal Responsibility and Reform proposed significantly reducing tax incentives for charitable giving in its December 1, 2010 deficit reduction proposal (12% tax credit for giving above 2% of AGI) and the commission's proposal is the basis for Senate legislation currently being created.
- In February 2011, AHP surveyed U.S. members to gauge the implications for health care philanthropy if tax code changes are implemented.



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Executive Summary (cont.)

- The vast majority of respondents indicate that the proposed tax code changes will negatively affect their fundraising programs.
 - 90% of respondents believe that the proposed tax code change, if enacted, will reduce overall giving to their organization (“Somewhat Agree” & “Strongly Agree”).
 - 92% indicate that the proposed tax change will cause a *significant* reduction in major gifts to their organizations.





Executive Summary (cont.)

- Health care development professionals report that tax deductibility is an important consideration for their donors.
 - 91% of health care fundraisers report that tax deductibility is important to donors (“Strongly Agree & “Somewhat Agree”).
 - 74% of health care fundraisers report that tax deductibility is *very* important to their major gift donors (“Strongly Agree”).





Executive Summary (cont.)

- Tax code changes that significantly reduce the tax deductibility of charitable giving will lower giving to nonprofit hospitals and health care organizations.
 - 61% of respondents anticipate reducing their giving forecast if the proposed tax code changes are implemented.
 - The median prediction: a 10-19% reduction in giving.





Executive Summary (cont.)

- Of health care fundraisers who anticipate a reduction in giving if proposed tax changes are implemented, the majority believe that the decrease in gifts will affect their community.
 - 40% anticipate a reduction in front-line community services, such as free clinics.
 - 61% anticipate an inability or delay in the purchase of equipment.
 - 59% anticipate an inability or delay in hospital renovations or expansions.





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Survey Results

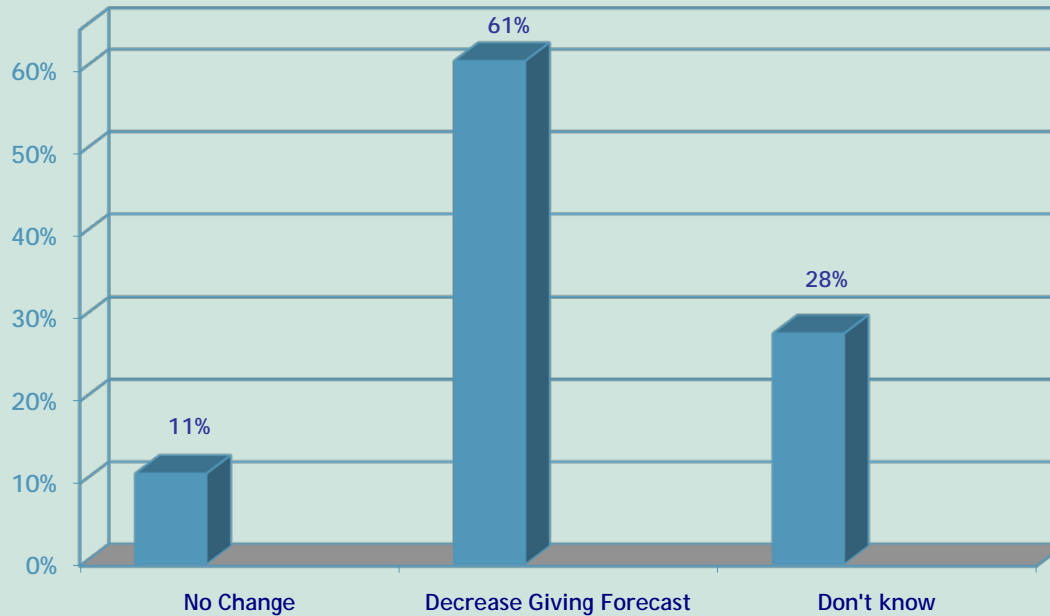
- Please indicate your level of agreement or disagreement with each statement.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't know
The proposed tax code changes will cause significant reductions in overall giving to our organization.	48%	42%	6%	1%	3%
The proposed tax code changes will cause significant reductions in major gifts to our organization.	64%	28%	4%	1%	3%
The tax deductibility of gifts is very important to most of our donors.	52%	39%	6%	2%	1%
The tax deductibility of gifts is very important to our major gift donors.	74%	21%	3%	1%	1%



Survey Results

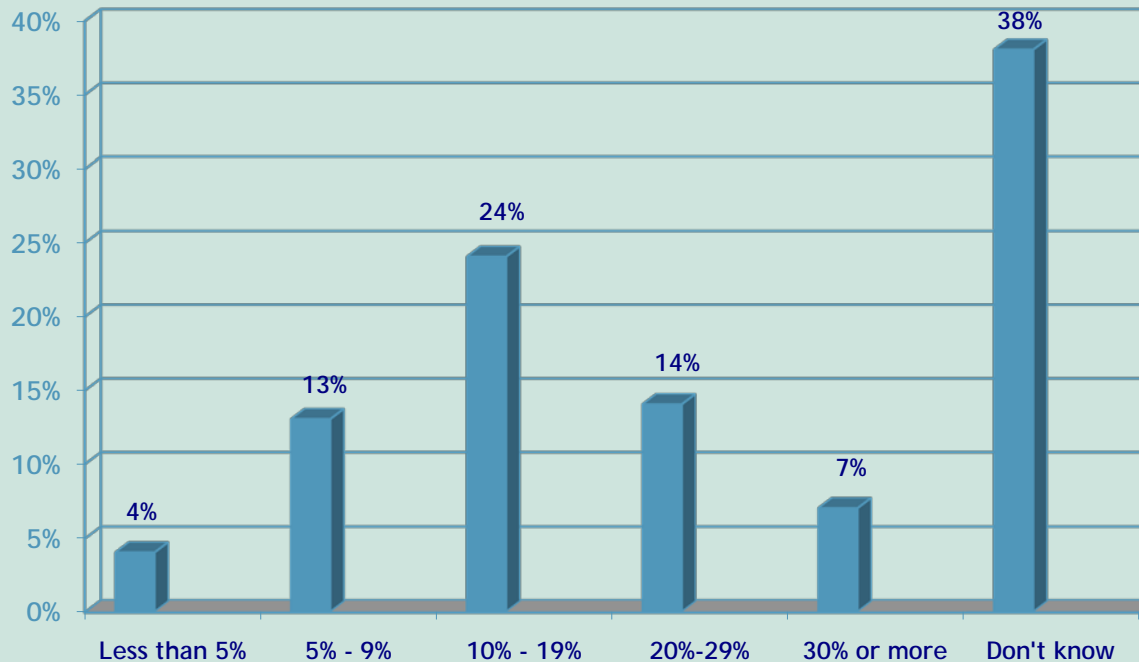
- If the tax code changes are implemented, do you anticipate altering your overall giving forecast?





Survey Results

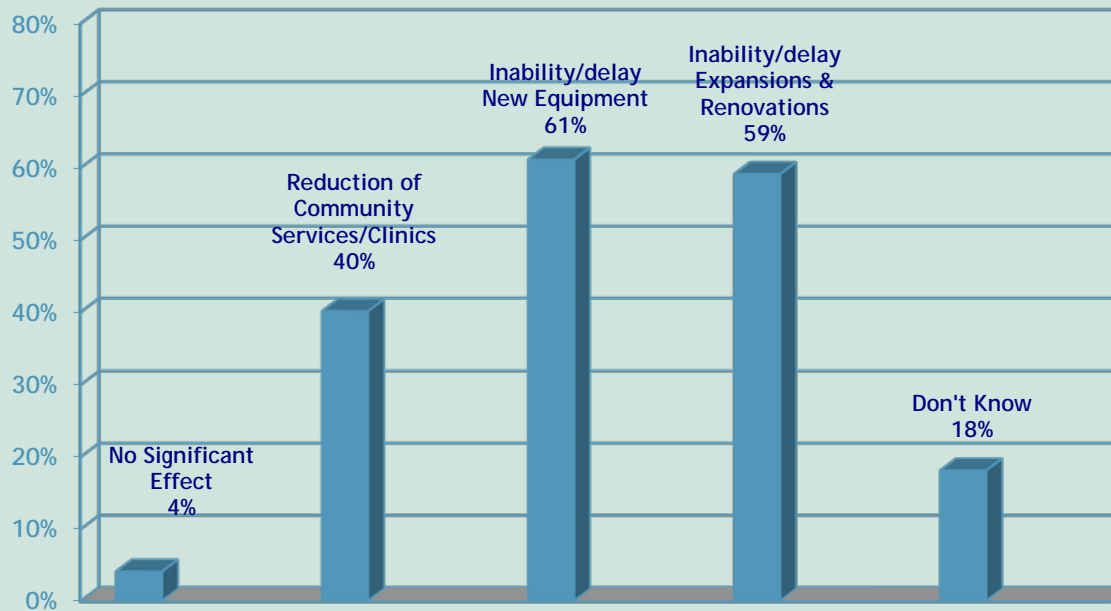
- If the tax code changes are implemented and you anticipate decreasing your giving forecast, by what percentage would you decrease your giving plan?





Survey Results

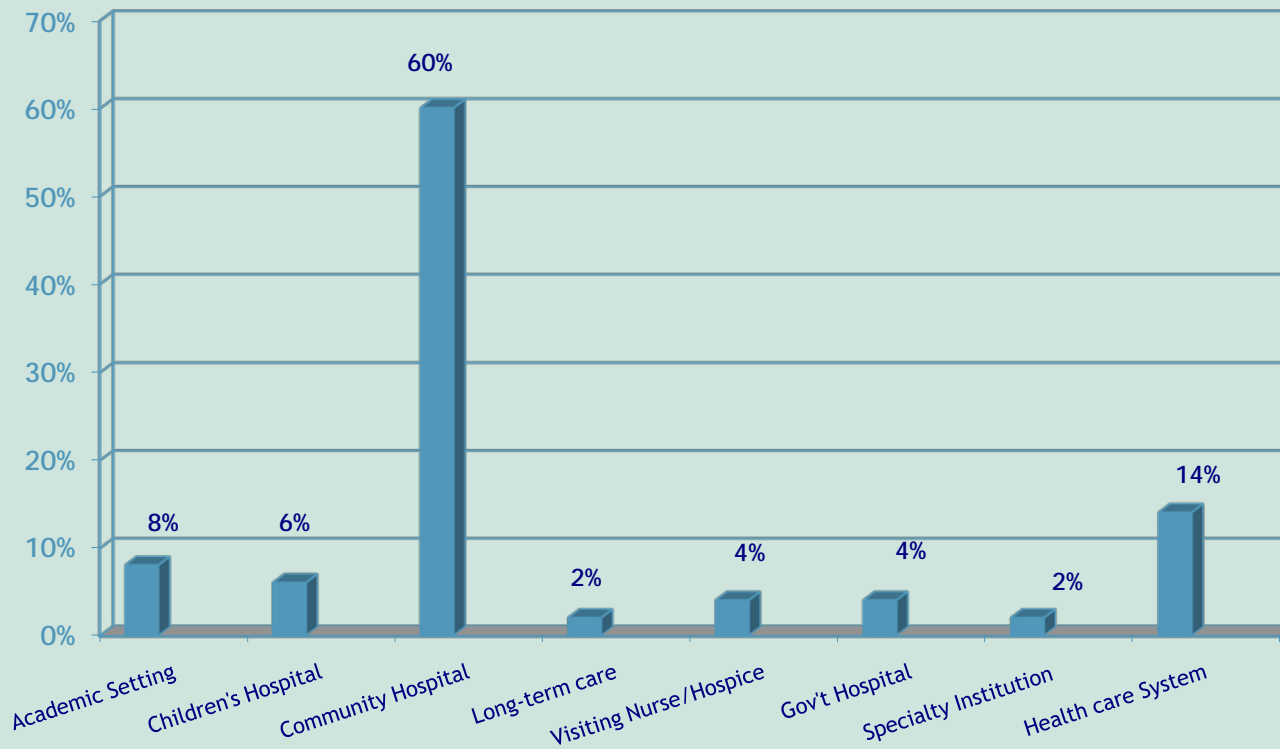
- If the tax code changes are implemented, and you anticipate decreasing your giving forecast, what effect will this have on your community? (Check all that apply)





Survey Results

- Which best describes the health care organization that you support?





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Other Observations

- The majority (60%) of survey respondents represent Community hospitals.
- Respondents from Children's and Academic hospitals anticipate significantly greater negative effects from the proposed tax changes to major gift giving than respondents from other types of health care providers.
- Respondents from Community hospitals anticipate a much greater reduction in their overall ability to raise funds than respondents from other types of health care organizations.





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Respondent Comments

- *The importance of tax deductibility to their major gift donors:*
 - *“One never leads the conversation with deductibility, but it is always a valuable part of a major gift conversation. It's disappointing to contemplate telling a donor that, in return for their good deed of giving to those in need, they'll have to pay more in taxes. I anticipate that most major donors will look at the overall cost to give and reduce their gift by the additional amount they need to pay in taxes.”*
 - *“After 40 years in the health care philanthropy field, I feel strongly that major donors are as equally motivated by tax savings as they are by their passion for the project or program.”*





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Respondent Comments (cont.)

- *Regarding the effect of tax changes on their communities:*
 - *“Our major gifts fund many crucial initiatives, including clinical and support programs, charity care, technology, facility upgrades, research, community outreach and education, and advocacy. A disincentive to provide gift support would have broad negative impact.”*
 - *“In a down economy, various charities, including ours, are being called upon to do more with less. The proposed changes in the tax deductions for charitable giving would further strain vital community organizations and potentially make the case for more state and federal subsidies for social welfare services, as charities are able to provide less with restricted resources.”*
 - *“Charities do in our communities what government agencies could never do as effectively or efficiently. The more incentive there is for people to give to charities, the less government will spend on the same causes.”*



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Respondent Comments (cont.)

- *Regarding the effect of tax changes on their communities:*
 - *“In my community, the two largest private employers are non-profit health care organizations. Additionally, non-profits of all kinds are a significant part of our employment base and are responsible for providing a wide range of services. I believe this kind of change in tax deductibility will have an enormously negative impact on the ability of non-profits to serve their missions, keep employment levels healthy, and build new facilities.”*
 - *“At this particular time in health care, this kind of legislation will just do more damage to the non-profit health care providers. Philanthropy is on the verge of returning to its level of importance within our non-profit hospitals as it was in the late 1940's through 1965 when Medicare reduced its value and importance.”*



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Survey Specifics

- The survey was e-mailed to 4,654 AHP U.S. members on February 2, 2011. The survey closed February 14, 2011.
- 317 AHP members responded to the survey (7%). There is a 95% confidence level that answers are accurate within a variance of 5%.
- AHP's members are development professionals who support and raise funds for more than 2,000 non-profit hospitals and health care organizations in the U.S. and Canada.

