

Religious bodies oppose lower tax deductions

by [Richard Yeakley](#) in the [March 22, 2011](#) issue

For the third time in three years President Obama's proposed budget will attempt to reduce tax deductions for high-end charitable donors, and for the third time nonprofits and religious organizations are pushing back.

Many religious nonprofits, which supplement their budgets heavily with donations from wealthy donors, are concerned that reducing the tax write-offs for charitable donations will cause a decrease in giving, said Diana Aviv, president and CEO of Independent Sector, a coalition of nonprofit organizations.

"The question is, do tax incentives work, do they stimulate more money than they cost?" Aviv said. "Experts estimate that this proposal could reduce charitable giving by \$7 billion."

Obama's proposed budget for fiscal year 2012 includes a 30 percent reduction in itemized deductions for high-income taxpayers. Individual donors making more than \$200,000 or families earning more than \$250,000 would be able to claim just 28 percent of any donation as a tax deduction rather than the current 35 percent.

That would mean that a wealthy taxpayer who donates \$10,000 to a charity would be able to claim a deduction of only \$2,800 on his taxes, rather than \$3,500.

Obama has defended this reduction several times, most recently at a White House press conference on February 15. "When it comes to the long term, when maintaining tax

breaks for millionaires and billionaires will mean additional deficits of a trillion dollars—if you're serious about deficit reduction, you don't do that," Obama said.

As in years past, the Union of Orthodox Jewish Congregations of America is again a vocal opponent of Obama's plan.

"The proposal to reduce the rate of tax deductibility for contributions is a recipe for disastrous displacements and cuts in much-needed nonprofit sector institutions and services," Nathan Diament, the union's director of public affairs, said in a statement.

Several studies have researched the potential outcome of similar proposals and all concluded that there would be a decline in donations, although dollar estimates of the decline varied.

A reduction similar to the one proposed occurred between 2002 and 2003, when the top income tax deduction for donations was lowered from 38.6 percent to its current 35 percent. After that reduction, individual charitable contributions actually increased, according to the Obama administration. —RNS