

What will the Obama budget do to charitable giving? Giving Institute, Giving USA weigh in on proposal

Glenview, Ill. (February 26, 2009) -- President Barack Obama's sweeping budget proposal hit the news today, with one key element centering on charitable deductions made by those households earning more than \$250,000 per year.

The Giving Institute: Leading Consultants to Non-Profits, and its research arm, Giving USA FoundationTM, advise those working in the philanthropic field that Obama's proposal to trim the deductibility of charitable donations from the current 35 percent to 28 percent over time is not necessarily going to change giving patterns of generous Americans.

Here are some facts to consider, according to research conducted on behalf of Giving USA:

- About 3 percent of tax returns in 2006 had of income \$200,000 or higher. (This equates to approximately 3.4 million households. 2006 is the most recent publicly available data.)
- Tax returns with income of \$200,000 or more claimed 42.5 percent of the total amount itemized in 2006.

Therefore, high-income earners are important donors, said Nancy Raybin, chair of Giving Institute; "however, we know from many research studies that have been conducted that not all they give is actually deducted."

One study, by Paul Schervish at Boston College, said *Giving USA* Managing Editor Melissa S. Brown, showed that people don't even track all of their donations because they hit income caps, or the Alternative Minimum Tax, or some other threshold that makes the actual value of the deduction for a charitable gift not worth the trouble of keeping the information.

"It's interesting to note," Brown said, "that a Bank of America study released in 2005 of high net-worth individuals said that 53 percent said they would not change their charitable giving, or would even increase it, if the deduction for charitable gifts went to zero.

"However, there is research that shows that people *do* change the amount that they claim in their giving when tax rates change. Higher tax rates mean more giving is itemized, everything else being equal," she added.

"It is likely that when tax rates are high, at least some people will work harder to keep track of their giving and find it more worthwhile to submit the information to accountants so it shows up on returns," said Del Martin, chair of Giving USA Foundation. "It is also possible that some people, when asked to give, do determine some kind of cost-benefit analysis and look at the potential tax savings."

However, the experience of Giving Institute members, who serve more than 5,000 non-profit clients annually, has shown time and again that the most important factor in how much people give is how committed they are to the purpose of the request.

“The bottom line is that this is no time for panic in the non-profit world,” both Martin and Raybin said. “Time and time again, it has been shown that when wealth is created, giving increases. If the president’s plan generates more wealth for Americans, then giving will go up.”

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About Giving Institute: Leading Consultants to Non-Profits

Giving Institute: Leading Consultants to Non-Profits, an international association of leaders in the philanthropic consulting field, is headquartered in Glenview, Ill. Its 35 member firms have specialties in all areas of philanthropic consulting, including fundraising, executive search, capital campaigns, feasibility studies and marketing communications. Its mission is to advance the practice of philanthropy through research, education and best practices. Formerly known as the American Association of Fundraising Counsel, it was founded in 1935 and is known for, among other things, composing the industry’s first code of ethics, a code still used today. For more information about the Institute, visit www.givinginstitute.org.

About Giving USA Foundation™

Giving USA Foundation, headquartered in Glenview, Ill., has as its mission to advance philanthropy through education and research. It was formed in 1985 as the American Association of Fundraising Counsel Trust for Philanthropy by what is now known as the Giving Institute: Leading Consultants to Non-Profits. Its seminal publication, Giving USA, has been published continuously since 1956 and is considered the “bible” on who gives what to whom in America. For more information about the Foundation and its work, visit www.givingusa.org.