

**Testimony of Terry Mazany
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Hearing on the Itemized Deduction for Charitable Contributions
House Committee on Ways and Means
U.S. House of Representatives
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Congressman Camp, Ranking Member Levin, and other Committee members, thank you for this opportunity to provide testimony on the deduction for charitable contributions as part of the Committee's work on comprehensive tax reform. I particularly wish to recognize Congressmen Peter Roskam, Aaron Schock, and Danny Davis, one of the newest Committee members, from my home state of Illinois.

I am pleased to be joined here today by two of my colleagues, Brent Christopher of the Communities Foundation of Texas, and Alicia Phillip of the Community Foundation for Greater Atlanta.

My name is Terry Mazany, and for the past nine years I have served the metropolitan region of Chicago, home to more than 8 million people and 12 congressional districts, as President and CEO of The Chicago Community Trust. In 2012, our assets totaled \$1.8 billion. We made grants of \$175 million and received \$179 million in contributions from nearly 1,900 donors. The Chicago Community Trust is one of eleven community foundations started in 1915, a year after this powerful idea became an institution in Cleveland. Today, there are more than 700 community foundations in the United States, serving virtually every community in our country.

It is important to note that even though we primarily serve the Congressional districts in and around Chicago, our grantmaking – via donor-advised and endowed funds – has benefited every Congressional district in the state.

One of the key things that the three of us want to help the Committee understand today is that there are many different types of foundations. A community foundation is one form of

public foundation, in contrast to a *private* foundation like the MacArthur or Joyce foundations, also based in Chicago. This is a very important distinction when it comes to tax law. A community foundation is a collection of charitable funds, as contrasted with an endowment set up by a single donor. It operates as a tax-exempt public charity and is focused entirely on improving the quality of life in a geographic area. As a public charity, it is bound by strict rules of behavior and must meet the same requirements of other charities like the American Red Cross and the YMCA.

One of the most important differences between the Trust and a private foundation is that a community foundation both accepts donations *and* makes grants. This distinction is not commonly understood, and it is really fundamental when considering how changing the charitable deduction might affect the field of philanthropy.

The idea of a community foundation fuses the capacity of a private foundation with the power of community philanthropy, connecting donors with opportunities to help the places and causes that they care most deeply about, both today and in perpetuity. In essence, we hold, in trust, the multigenerational endowment of generous residents of metropolitan Chicago.

The charitable tax deduction is vitally important for us to deliver our mission, especially with the growth of donor-advised funds, or DAFs, as an increasingly popular alternative to private family foundations. DAFs have the advantage of connecting even our more modest donors with professional expertise and vetted charitable organizations to maximize the impact of their philanthropy. Collectively, in 2012 we paid out \$123 million in donor-advised grants, with a payout rate several times that required of private foundations.

A community foundation serves at the heart of local philanthropy, enabling our donors to achieve transformative impact. Here's just one example: In 1964, pharmaceutical magnate John G. Searle created the first Searle Fund at The Chicago Community Trust, launching an enduring charitable partnership that has made an indelible impact in our region—from a

\$50 million, 10-year commitment to establish Chicago as a global center for biomedical research, to more than \$100 million invested to improve education in Chicago's schools.

But we're not just about big names and public figures. Community foundations also help more modest donors pool their resources together to achieve lasting change. For example, as the Great Recession of 2008 left more people struggling to meet their basic needs, the Trust responded with Unity Challenge, which leveraged affordable contributions – five dollars and up, from 405 donors – to invest \$10.8 million above our regular grantmaking into food pantries, homeless shelters, winter coats for children, and other essential services to those neighbors who most urgently needed a helping hand.

We have also responded to the housing crisis. Our region has experienced more than 100,000 foreclosures since 2009, and the problem has been especially acute in African-American and Latino communities. In response to the crisis, the Trust worked in partnership with the Federal Reserve Bank of Chicago and local nonprofits to help revitalize housing markets in neighborhoods throughout the region.

In the fourth quarter of 2012, while rumors were rampant about the charitable deduction being scaled back, the Trust received a record \$140 million in contributions. We have strong reason to believe that this surge in donor activity is a direct reaction to the uncertainty of our nation's tax policy, and is evidence that the charitable deduction does matter. We would see even greater activity if the IRA rollover would be extended to contributions to donor-advised funds.

If we had a level playing field, I would be on the opposite side of this argument, advocating that we all must do our part. Instead, what we see is the continuing reduction of government spending, a trend most likely to continue for the foreseeable future. Given the reality we face, and the fact that the charitable tax deduction encourages a behavior key to our democracy – giving for the common good – I am an advocate for the preservation of the full deduction. If we expect communities to respond to the needs of their residents, we must preserve their charitable capacity.

Thank you again for this opportunity to share the community foundation perspective on this important and vital public policy.