House Ways and Means Committee
February 14, 2013

Hearing on Tax Reform and Charitable Contributions

Oral Comments and
Statement for the Record

of the

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Good afternoon. I am Andrew Watt, President and CEO of the Association of Fundraising Professionals (AFP).

I have the privilege to lead the largest community of fundraisers in the world. AFP represents nearly 30,000 people and over one thousand organizations, large and small, from multi-national institutions to grassroots charities, raising funds for every conceivable philanthropic cause. We estimate that our members help raise approximately $100 billion annually, which is nearly one-third of all charitable giving in the U.S.

We generate the funds that create impact and change. We have first-hand knowledge and understanding of charitable giving and the impact of tax policy that incentivizes giving in this country.

As a non-US citizen, it is a particular privilege to work in this field. For me, the defining characteristic of the United States is its strength of community, the way in which communities across America come together to address the common need. Communities act swiftly and decisively, based on an understanding of the environment in a way that those of us working at a national level sometimes struggle to do.

It's a uniquely American way of looking at problems. Americans don't immediately think of turning to the government. Government is often a valuable partner. But we think of working with each other first, with community groups and with businesses, to solve a problem. That's the American mindset, which is then recognized and supported by government-created tax incentives, such as the charitable deduction.

I have worked for the fundraising community for twenty years in the UK, Europe and now America. During that time I have seen many different communities incentivize giving in many different ways. But the charitable tax deduction is unique in being established nearly one hundred years ago and has withstood the test of time. Its symbolic nature almost outweighs its monetary value. It represents a gesture of confidence on the part of the people by way of their elected representatives, in the effectiveness of nonprofit and community action. It binds together the interests and concerns of all of us in the betterment of our society.

But the charitable deduction does not define the philanthropic sector. Tax deductions are not what we're about. The defining characteristic of the charitable sector is what we achieve—impact in communities.

You will hear a lot of data and statistics today about the importance of the charitable deduction. We will be including many of them in our written statement for the record as well. These numbers are important as they underscore the value of the deduction and what it means to our sector. The charitable deduction remains a significant source of revenue to the work of charities large and small across the country and is an important bridge between the government, businesses and corporations, nonprofits and philanthropists and the general public.

That mindset and structure is the envy of other countries. Charities in other countries are upset at the potential change in the charitable deduction, because they look to this country as a model. A step backwards here is a step backwards for them.

And that's why the charitable deduction is so important. Beyond the significant giving that it creates, the deduction is a powerful symbol of the American tradition and system of philanthropy. It is a symbol of a continuing commitment to the impact and change that nonprofits create—working together with individual donors, for-profit organizations, foundations, the government and many other groups and sectors.

To change that symbol—to limit the deduction—is to alter that commitment. Especially when we know that it works. The statistics are there. This is an investment that gives the public and communities roughly $3 in philanthropic services for every $1 of potential tax revenue invested through the charitable deduction. That's extraordinary. Of course, we must be conscious of the need for deficit reduction, but why would we amend such an effective tool?

The charitable deduction is the only deduction where the money you spend doesn't benefit you directly. The mortgage deduction is for buying a house. Scholarship, education and health deductions relate to money spent on you and your family. But the charitable deduction involves a selfless, generous motivation—giving to a cause that might never directly benefit you.

That's a powerful message to send. That people should be encouraged to give their money away to help others and invest in the community. That people should come together—through charities and community groups—to mobilize and solve problems. That government and businesses and charities should unite to address key national and global issues.

We need to have many conversations in this country. We need to talk about how we could encourage more public-private partnerships to tackle issues head on. We need to discuss incentivizing more long-term social investment to address our core problems. We need to come together in dialogue about how we can mobilize resources more effectively—and not just financial resources, but human, social and other types of capital.

But the charitable deduction? I truly believe this conversation should be settled. The deduction is effective and proven to work. But most importantly, it is an important symbol of the tradition of philanthropy in the United States. It is part of the culture of America. It is a rare example of government coming together with the people to invest in a better future for all. And I firmly believe that you cannot simply limit or replace the deduction without losing something very vital in this country.

Thank you for your time.