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A Tax Plan Charities Should Back

By Joel Berg
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Some of the nation's largest charities -- and the lobbyists they pay to represent them -- have been hyperventilating over President Obama's proposal to marginally roll back the amount of the tax deduction that the very wealthiest Americans can take for donating to charity. Of course, conservatives who oppose any tax hikes for the rich also oppose it.

While these voices have created the impression that all nonprofit organizations oppose the plan, the reality is that many charitable organizations, especially ones that serve low-income populations, such as the one I run, strongly support it.

According to the Urban Institute-Brookings Institution Tax Policy Center, [the proposal](#) would affect only 1.2 percent of U.S. households -- those in the top two tax brackets. Nearly 99 percent of households would be unaffected. The plan would merely restore the deduction rate to Reagan-era levels.

Since the largest donors (such as Bill Gates and Warren Buffett) already give more than they can deduct, and numerous studies show that tax deductions are a relatively minor reason that the wealthiest Americans donate to charities, total charitable contributions are likely to decline by only about 1.3 percent if the proposal is enacted, the Center on Budget and Policy Priorities [calculates](#).

Combined with other progressive Obama tax proposals, that change would not only start to redress the inequality gap that has engulfed America in recent decades but would also help to pay for many effective domestic programs, including efforts that fight hunger and improve nutrition; boost public education; improve health care and make it more affordable; and create jobs for low- and middle-income families. In other words, the funding would greatly reduce struggling families' need for charitable aid.

When the wealthiest Americans donate to charities, they are most likely to give to universities, hospitals and cultural institutions from which they and their families may benefit. Such organizations often have budgets and executive salaries equal to or larger than those of mid-size corporations, stretching the definition of "nonprofit group."

While anti-poverty organizations such as mine do receive some funding from the wealthiest Americans (for which we are extremely grateful), the bulk of our private donations comes from middle-income families.

Even if the largest tax deductions are kept in place only for anti-poverty organizations, a compromise that would directly benefit groups such as mine, there are at least two reasons I still don't think that would be wise public policy:

First, such tax deductions are a highly inefficient way to fund social programs. It is far more cost-effective for the government to simply increase supplemental nutrition benefits (formerly food stamps) that are immediately redeemed at for-profit food stores than it is to give massive tax deductions that only marginally increase donations to feeding charities, which then have to split such donated money between administrative costs and food purchases.

Second, voluntary private charity is a less equitable way to solve community problems. While many people assume that the rich amass their wealth on their own, the truth is that their business interests are almost always aided by public efforts such as roads, bridges and ports through which they ship their goods or public schools that educate their workforces. Given that even the wealthiest benefit greatly from this modern "public commons," it is wrong to give them unilateral power to decide whether their taxpayer-subsidized donations should go to, say, well-heeled operas or lavish care of pets rather than to organizations that meet more pressing communal needs.

It is fashionable these days to say that "the community," not government, should solve social problems. Yet no nonprofit leader, myself included, was elected by the community as a whole. Elected officials, whether we like them or not, are picked by voting citizens. In America, the government is the most legitimate voice of the entire community.

The Obama administration should stick to its guns in fighting for tax equity, and Congress should support the effort. If charities want to prove that they value the public interest over their self-interest, they, too, should get on board.

Joel Berg is executive director of the New York City Coalition Against Hunger and the author of "All You Can Eat: How Hungry Is America?"

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