



As fiscal crisis looms, taxing charitable gifts by the rich will hurt the poor the most

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For nearly two years now, we have heard about the divide between wealthy America and the rest of us. We are told that the rich don't pay their fair share in taxes. We hear that the wealthiest one percent run the country for their own benefit.

Whether you agree with this or not, there is no shortage of proposals in Washington targeted to address this sense of inequality. But my personal experience as a former corporate CEO and now as president of one of the country's largest charities, is that many wealthy women and men are voluntarily bridging this gap through their charitable giving.

For nearly as long as the income tax has existed, the U.S. government has allowed individuals to deduct their giving from their taxes, recognizing that private organizations contribute to the common good and to economic growth. Our country does need to get its fiscal house in order, but policy makers need to be extremely careful in their zeal to find new government revenue. Raising taxes on the wealthy by taxing their giving is likely to hurt the poor the most.

Under any of the various proposals to remove or cap the charitable deduction, the government would be weakening charities and threatening to shred America's safety net for the poor. With half of Americans either below the poverty line or considered to be "low income," we are in a time when charities' services are most urgently needed. Food banks are tapped out. Homeless shelters are full.

Any scheme to cap or reduce the charitable deduction will ultimately hurt our economy and those on its lowest rung. Arthur Brooks, president of the American Enterprise Institute and author of "Who Really Cares," estimates that every dollar in charitable giving increases GDP by as much as \$15. In addition, non-profit organizations employ 10 percent of the workforce.

It is clear that the proposals to limit the deduction will hurt giving. According to Independent Sector, a coalition of non-profits, removing the charitable deduction could cause a 36 percent decline in giving. Even the White House, which has proposed a cap on the amount the wealthy can deduct, agrees that such a move could cause a \$10 billion decline in giving.

In my job as the head of a large non-profit, I have met hundreds of wealthy individuals who care deeply about the needs of those who are less fortunate.

Over dinner a few weeks ago, one of our biggest donors said to me, "Rich, if the charitable tax deduction goes away, charities are going to suffer. Say I have a million dollars I've set aside for my annual giving to charities. If the laws change, I can no longer give the entire million dollars to charity. At a marginal tax rate of 35 percent, only \$650,000 will go to charitable work and \$350,000 will now go to the government. The charities I support will have to get by on 35 percent less."

The government can't meet every need of society, but it can encourage individuals to step in and help a neighbor in need, train someone who needs a job, strengthen a school, or mentor a young person who is at risk.

Last year, Americans donated roughly \$300 billion to charity. That's larger than the budgets for the Departments of Agriculture, Transportation, and Education. And even though international giving is just a small percentage of that, a 2012 study by the Hudson Institute found that private giving to developing countries (\$39 billion) far outweighed official foreign aid (\$30.4 billion).

Does it make sense to punish generosity? Does it make sense to penalize the very people who are willing to distribute their own money—beyond the taxes they already pay—to strengthen the fabric of our society by helping the poor, funding medical research and hospitals, supporting a university or caring for the disabled? Such a policy will not only hurt those who are most in need, it will also hurt our economy.

Last month, I visited Seattle’s Bread of Life Mission, an outreach to the city’s homeless community. The Mission provides housing, substance abuse recovery, and job training to men and women who were once living on the streets. Like hundreds of thousands of other small, targeted, and effective private organizations, Bread of Life Mission uses private donations and the volunteer work of compassionate individuals to heal broken lives and to make Seattle a better place for all of its residents.

Private citizens working together to do a public good—this kind of compassion expresses the best values of our democracy. Who will replace these kinds of services when charities like Bread of Life Mission are forced to slash their budgets? Will Congress?

The charitable deduction has given America one of the most vibrant private charitable sectors in the world, serving needs at home and spreading American goodwill around the world. Our current policies have served us well through the Great Depression and World War II. Let’s not start punishing American generosity because leaders in Washington can’t balance their budgets.

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