

Will Obama's plan to trim charitable tax deductions hurt religious groups? Religious groups may be spared general decline in giving: Religious groups may be spared general decline in giving

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The White House's proposed 2010 federal budget calls for reducing the deduction for charitable contributions for the nation's wealthiest taxpayers. Some religious groups are asking how that will affect their bottom line. The answer: it on depends who you ask.

Here's what it means in real terms for the 5 percent of Americans whose household income exceeds \$250,000 a year. Those families can currently save \$350 in taxes for every \$1,000 donated to charity; under President Obama's plan, that amount would drop to \$280 per \$1,000 donation.

"By doing this, you raise the cost of giving," said Robertson Williams, a senior fellow at the Tax Policy Center, a liberal Washington think tank.

By Williams's calculations, the change will result in a 10 percent drop in charitable giving by wealthy Americans, who typically contribute about 20 percent of all charitable dollars. In real dollars, Williams projects a decline of about \$6 billion in charitable donations because of the change.

But Williams also said religious institutions may be spared because most wealthy Americans funnel their biggest donations to education, the arts and health care. Think campus buildings, art museums and hospital wards with family names attached.

“My guess is that religious groups will not see nearly the drop that other charitable recipients will see,” Williams said.

For now, experts say, religious groups are probably on fairly safe ground. Sylvia Ronsvalle, executive vice president of the Illinois-based Empty Tomb research organization, says religious groups often fare better than most in an economic downturn. “There does not seem to be an immediate economic relationship between church giving and the economy,” she said. When times get tough, people still give to their houses of worship.

In 2007, Americans directed 61 percent of their charitable gifts to religious organizations, according to a study by Bank of America. By contrast, high-net-worth households spent just 15 percent on religious causes; the bulk went to education.

The Salvation Army’s Christmas holiday Red Kettle campaign brought in a record \$130 million at the end of 2008—a 10 percent jump from the year before—in the midst of a dark and gloomy economy.

Still, some religious groups worry that the tax deduction change is coming at a bad time. One of them, the Union of Orthodox Jewish Congregations of America, called the proposal “a recipe for disastrous displacements and cuts in much-needed nonprofit sector institutions and services.”

White House Office of Management and Budget Director Peter Orszag said the tax changes, if passed by Congress, wouldn’t kick in until 2011, and he’s confident that the economy will have recovered enough by then to offset any potential losses in charitable giving.

In a statement, Orszag said that “the best way to boost charitable giving is to jumpstart the economy and raise incomes—and the purpose of the [\$787 billion economic stimulus package] was to do precisely that.”

Orszag also pointed out that between 2002 and 2003, the top income tax deduction for charitable giving was reduced from 38.6 percent to 35 percent, but individual charitable contributions actually increased.

When respondents in the 2007 Bank of America study were asked how their charitable giving would be affected if they received zero income tax deductions, 52 percent said their giving would stay the same; 37 percent said their giving would decrease; and 10 percent said it would dramatically drop. *-Religion News Service*