On behalf of:

American Council on Education
One Dupont Circle, NW
Washington, DC 20036

American Association of Community Colleges
One Dupont Circle, NW
Washington, DC 20036

American Association of State Colleges and Universities
1307 New York Ave, NW
Washington, D.C. 20005

Association of American Universities
1200 New York Avenue, NW, Suite 550
Washington, D.C. 20005

Association of Public and Land-grant Universities
1307 New York Avenue, NW, Suite 400
Washington, DC 20005

National Association of Independent Colleges and Universities
1025 Connecticut Avenue, NW, Suite 700
Washington, DC 20036

Council for Advancement and Support of Education (CASE)
1307 New York Avenue NW, Suite 1000
Washington, DC 20005-4701

October 26, 2011

On behalf of the higher education associations listed above representing approximately 4,300 two- and four-year public and private colleges and universities, we are submitting this written testimony on charitable giving incentives for the October 18, 2011, hearing record. We appreciate the opportunity to submit our views regarding the testimony received by the Finance Committee on the efficacy of tax incentives for charitable giving, in particular the federal income tax deduction for charitable contributions and potential proposals to change current giving incentives.

We know that there are a number of proposals which would significantly change the current federal income tax deduction for charitable donations as a means of increasing tax revenues. While we recognize the need to reduce the federal deficit and address the rising national debt, we urge the committee to proceed very cautiously in making changes to the current federal charitable income tax deduction, which helps generate needed private support for colleges and universities.

The federal income tax deduction has long served as an important and effective incentive for charitable giving which benefits both higher education as well as society in general. While donors make charitable gifts for many reasons, it is well established that the charitable tax deduction helps generate and sustain charitable donations. In fact, the charitable deduction is unique in tax policy
in that it encourages and rewards private behavior which advances the common good. The benefit to society of a charitable donation far exceeds the financial benefit received by a donor. For every dollar a typical donor receives in tax relief for his or her gift, the public gains approximately three dollars of benefit.\(^1\)

The teaching, research, and public service missions of colleges and universities are all supported by charitable giving. As nonprofit charitable tax-exempt entities, public and private colleges, universities, and the foundations that support them are among the beneficiaries of charitable giving. According to the Council on Aid to Education, colleges and universities in 2010 received $28 billion in charitable gifts to support their educational missions of teaching, research, and public service. These charitable gifts were used to support student financial aid, scholarships, and faculty salaries.

In this challenging economic climate, charitable gifts are an increasingly critical source of support for colleges and universities. The Great Recession has exacerbated a 20-year trend of declining state support for public higher education. Unfortunately, the major funding reductions for public higher education in many states will result in another round of higher-than-average tuition rate increases at public colleges and universities around the country, as these institutions struggle to offset the losses in state revenue. Public and private institutions experienced historic declines in the value of their endowments during the height of the recession and thus, payout amounts also suffered.

Today’s struggling economy has reinforced the importance of obtaining a college education. During this time of slow economic growth, the employment divide between college-educated and non-college-educated workers has widened. At the same time, many families are under financial stress, creating greater demand for student financial aid. Without significant charitable contributions, many colleges and universities cannot accomplish their goal of access to their institutions regardless of income. Charitable gifts colleges and universities receive help to minimize tuition increases and support student financial aid programs.

Private charitable donations work in concert with federal investment to ensure access to higher education through student financial aid and support of groundbreaking research and technological innovation. This partnership has delivered enormous economic benefits to our society, but unfortunately, it is a partnership undergoing severe stress. Recent federal budget deals have already cut $30 billion from student financial aid programs, sacrificing some students’ benefits to pay for others. The Fiscal Year 2012 appropriations bills contain further cuts to investments in higher education, including a $3.6 billion cut to the Pell Grant Program in the House Labor-HHS appropriations bill. Diminished support for student financial aid undermines access to higher education and ultimately, the country’s ability to produce enough well trained workers essential to our economy. Work force projections show that by 2018, there will be jobs for as many as 22

million new workers with college degrees. But on our current trajectory, we will not make that goal—in fact, we will miss it by 3 million workers.\(^2\)

To ensure the United States’ long-term economic growth, we need to expand access to education and continue to invest in critical scientific research and innovation. In light of the federal deficit, it will be difficult to sustain current federal investment in student financial aid and scientific research. Consequently, we should be taking steps that continue to encourage charitable giving to colleges and universities to support student financial aid, research, and other academic programs.

For all of these reasons, we strongly urge the Finance Committee to preserve the value of the federal income tax deduction for charitable contributions. Now is not the time to make changes in the charitable deduction that would result in a loss of charitable support. We thank the committee for this opportunity to submit this statement for the hearing record and for considering our views.

\(^2\) Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, Help Wanted: Projections of Jobs and Education Requirements Through 2018, Center on Education and the Workforce, Georgetown University, 18 (June 2010).