



Maine
Philanthropy
Center

March 12, 2015

Dear Senator McCormick,

As the President of the Maine Philanthropy Center, I am writing on behalf of our board of directors to express our opposition and concern for the proposed 2015-2016 Biennial Budget and specifically for Sections K-22 and K23, which call for the repeal of LD 1664 regarding deduction caps and the elimination of all itemized charitable deductions.

The Maine Philanthropy Center is a membership-based organization comprised of 74 grantmaking members – family, community and private foundations, public charity grantmakers, corporate foundations and giving programs, and individual philanthropists. We annually publish data about charitable giving in Maine and create a bridge of information and understanding between grantmakers and nearly 250 nonprofit associate members.

As written, the budget repeals the tax deduction for charitable contributions without considering the facts or ramifications of this policy change on citizens, nonprofit organizations, municipalities, and Maine's philanthropic sector. The philanthropic sector contributed \$821 million in Maine in 2012 to do its part to maintain our quality of life. It is estimated that close to 72% of all these charitable contributions come from individuals. **The elimination of charitable tax deductions will impact 141,920 Mainers (almost one quarter of residents) who reported deductions in 2012 and they come from every income level!** While the spirit of generosity is behind much of individual giving, research shows the charitable giving deduction provides an additional incentive, particularly for those individuals who make large contributions.

Our nation, along with our states and communities, have a long and unique history of operating at our very best when there is a symbiotic balance of resources from the private, public and philanthropic sectors all working together to enhance the quality of life. No one sector can do it alone. True quality of life is dependent on the contributions of all three. Private industry provides jobs and a strong economic climate. Government provides education, public safety and services to benefit the common good. And philanthropy works in between, providing resources and opportunities for the less fortunate, helping to fund innovation in all sectors, and supporting efforts to preserve and enhance Maine's vital natural and cultural resources. If one sector fails or is unable to do its part, then the burden either falls on one of the other two sectors or communities must do without – thus compromising our valued quality of life. The philanthropic sector, while providing critical assistance, is already the smallest of the three sectors and, even with charitable tax deductions, Mainers rank among the lowest in per capita giving in the country. The suggestions that philanthropy in Maine would increase with the elimination of the tax incentive and the reduction of personal income taxes or that it can make up for severe cuts in services on the government side have no basis in fact or historical precedence. Thus, while noting the desire for long-term tax reform, the Maine Philanthropy Center similarly has strong concerns about the budget provisions that will allow municipalities to tax property held by nonprofits and the reduction of funding for services for Maine's most needy citizens, often delivered through contracts to nonprofits.

We strongly encourage the committee to keep the importance of charitable tax exemptions and philanthropy in mind as you make your budget decisions. Thank you in advance for your thoughtful deliberation.

Sincerely,

Barbara T. Edmond
President