



Think tanks could feel the pinch of deduction cuts

Gifts to foundations could be first casualties if charitable deduction is lowered to 28%.

By: Jackie Kucinich - December 13, 2012

WASHINGTON -- The Committee for a Responsible Federal Budget knows limits to tax deductions for charitable contributions could reduce their bottom line in favor of debt reduction, but that's what they're trying to do. However, not many of their fellow think tanks and interest groups agree.

"If we solve the debt, that's going to hurt our bottom line no matter what because the whole point of our institution is to get a deal on the debt," said Marc Goldwein, the committee's senior policy director, referring to their FixtheDebt campaign that specifically targets that issue. "The FixtheDebt's campaign job is to get the FixtheDebt campaign to not be needed anymore."

Think tanks and public policy non-profits – researchers of policy papers, creators of panels and advocates for causes ranging from a balanced budget, to lower taxes to a stronger military – share the same 501c3 charitable designation in the tax code as charities that provide social services.

Gifts to foundations could be the first casualties if the charitable deduction is lowered to 28% from 35% for individuals making more than \$200,000 or couples making more than \$250,000, as suggested by the White House. Other plans, including those from former Republican presidential nominee Mitt Romney, would cap overall deductions for top earners from \$17,000 to \$50,000.

Because think tanks and public policy groups rely so heavily on donor contributions instead of government grants, they would be affected "disproportionately" by any change in deductions, said Diana Aviv, president and CEO of Independent Sector, a leadership network for America's non-profits.

It's unlikely donations would stop, but they would probably be reduced as wealthy donors look for the best way to give, said Melissa Berman, president and CEO of Rockefeller Philanthropy Advisors.

"Usually what happens if you have to cut back and it's because of an economic recession it will often favor the organizations that are doing the most with the immediate pain and

suffering from a recession," Berman said. "If it's a cut back for an individual in how much they can deduct, they are still going to stick with their favorite causes."

Some of the nations' richest individuals are generous donors to think tanks and public policy groups, including:

- For example, oil billionaire Charles Koch donated more than \$42 million in 2010 to his personal foundation, which in turn supported an array of libertarian and conservative groups. They include the libertarian Cato Institute and the Institute for Humane Studies in Fairfax, Va.
- The Sandler Foundation was backed by \$1.4 billion given by liberal donors Herbert and Marion Sandler in 2006. The foundation helped create left-leaning non-profits such as the Center for American Progress and funded others like Human Rights Watch. Marion Sandler died in June.

"Giving from foundations wouldn't change, what might change is how much money is donated into a foundation," Berman said.

Policy groups are watching "what Congress is going to do and how bad it might get for contributions," said Pete Sepp, executive vice president of the National Taxpayers Union.

NTU, Sepp said, is concerned as much about the donations to their organization as the impact that a deduction cap could have on charities that supplement government services.

"That's a major concern, but it's not just a selfish concern; it's a policy concern," he said.

Sepp and others in the think tank community are anxious about fiscal cliff negotiations behind closed doors.

"Concern yes, it's hard to plan for the unknown," said Cato Institute President John Allison, adding that conversations he has had with donors in recent weeks have left him feeling more at ease than some of his counterparts.

"The people that feel like this change is just part of a guise to raise taxes, which is what it sounds like it really is, will see us as fighting to defend their rights ...so I think given our philosophy which is very much for low taxes and limited government I don't think it will impact our giving as it might other types of organizations," Allison said.

Other groups, like the liberal Public Citizen, said they hadn't discussed the issue with donors but were confident they would continue to donate despite any changes in the tax code.

"We would not expect a relatively small reduction in the tax benefits of charitable contributions to affect their level of support," said Robert Weissman, president of Public Citizen.