

Obama tax plan may hurt philanthropy

By **Sue Asci**

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A proposal in President Obama's budget to lower the tax deduction amounts for wealthy donors has charities concerned that it may reduce giving.

The proposal would limit the tax rate at which high-income donors could take itemized deductions to 28%, from 35%.

The measure has divided fundraisers about whether the lesser deduction would result in less giving, according to an analysis published by the Chronicle of Philanthropy in Washington.

"Most people give appreciated securities, so we know giving is already going to be down this year," said Eileen Heisman, president and chief executive of the National Philanthropic Trust. The national donor-advised fund program, based in Jenkintown, Pa., had \$620 million in assets as of Dec. 31.

"This tax proposal is going to make it worse, but we don't know how much worse," Ms. Heisman said in an interview.

Under current law, if donors who are in the 35% tax bracket give \$100,000 to charity and can deduct the entire gift, they will reduce their income taxes by \$35,000. Under the Obama proposal, they can deduct their gift only at the 28% rate, reducing their taxes by \$28,000.

The Obama plan wouldn't affect high-income donors who were subject to the alternative minimum tax and were therefore already in the 28% bracket.

Ms. Heisman said she hopes for the best. She noted that when the government has reduced the capital gains tax, many thought that donations would decrease because people weren't saving as much.

"But people kept giving," Ms. Heisman said.

At least one other fundraising executive agrees.

“While it’s a bit early to comment on this proposal until we have more details, we know that Americans have historically been quite generous in supporting charities that are important to them, and we expect this to continue,” Sarah Libbey, president of the \$3.8 billion Fidelity Charitable Gift Fund, offered by Boston-based Fidelity Investments, wrote in an e-mail.

Still, the weak economy could make this year different.

“Taxes are not the reason why people decide to give, but they do count for something,” Ms. Heisman said.

