



## Restore Hawaii's charitable deduction tax incentive

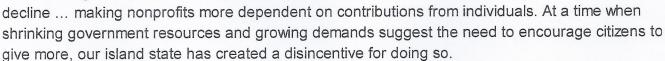
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By Kate Lloyd - General Counsel & Vice President, Operations, Hawai'i Community Foundation

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There are a lot of families in Hawai'i who are suffering. We've got the second-highest percentage of homeless people and the seventh-highest percentage of people living in poverty among all the states. On the bright side, the people of Hawai'i are givers. Recent statistics place charitable-giving in Hawai'i at over \$600 million a year.

Hawai'i's nonprofits are grappling with an unsustainable equation: demand for their services has been skyrocketing, while funding from federal, state, and county continues to



Act 97, which was signed into law in 2011, limits all itemized deductions, including charitable contributions for state income tax purposes. Individuals making more than \$100,000 can deduct up to only \$25,000 of itemized deductions, while couples with more than \$200,000 of income can take only a maximum of \$50,000 in deductions.

Granted, the cap applies only to higher-wealth individuals, but they are the very people whose individual contributions make up the lion's share of all charitable contributions to Hawai'i's charities. As donors change their giving patterns, nonprofits have to cut back on the services they provide. Both of these trends are happening, right now.

Senate Bill 1091, which was heard by the Senate Ways and Means Committee in late January, would amend Act 97 and restore Hawai'i's charitable deduction tax incentive. Impassioned pleas from both the nonprofit sector and major philanthropists underscored the fact that the existing cap on itemized deductions causes donors to give less generously than they have in the past. Said one, "This means that Hawai'i's charitable organizations will lose over \$100,000 each year in potential contributions from me alone."



Through my work at the Hawai'i Community Foundation, I know firsthand that people give to charity for many heartfelt, altruistic reasons. Having been a tax attorney in Hawai'i for 25 years, I also know this: while donors do not make charitable gifts only for tax reasons, tax incentives make more and larger gifts possible.

Unlike deductions for mortgage interest and medical expenses, the charitable deduction is the only deduction that does not represent a personal expense for the benefit of the taxpayer. The gift goes entirely to help others. For this reason, it makes sense to "carve out" charitable gifts from the deduction cap because that deduction is unique.

While restoring the charitable deduction tax incentive only applies directly to middle and high income individuals, the real beneficiaries are the people and the natural resources served by Hawai'i's charitable organizations. Locally, if even 10% of Hawai'i's annual charitable giving is impacted by the current disincentive, the loss to our communities could be more than \$60 million dollars. That could go a long way to helping Hawai'i's neediest.

If you believe that charitable contributions should be encouraged for all individuals in this time of great need in Hawai'i, please let your legislators know that you support SB 1091.

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