



**INDEPENDENT SECTOR**  
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Before the United States Senate Committee on Finance  
**“Strengthening America’s Economy:  
Stimulus That Makes Sense,” Part II**

January 24, 2008

Statement of Diana Aviv  
President and CEO  
Independent Sector

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I am writing on behalf of Independent Sector to commend the Senate Committee on Finance for holding these hearings on the state of the economy and encourage you to consider the full range of interests, including those of the charitable community and those it serves, as you develop an appropriate economic stimulus package.

To address the initial question raised by these hearings – whether a stimulus package is needed – I state emphatically that the experience of many in the charitable community indicates that people are indeed struggling in this economy and that stimulus is truly warranted. Charitable organizations have a unique perspective on the economy as institutions and as service providers.

As institutions, charitable organizations are also experiencing higher costs, particularly for fuel, that reduce the resources available to support their programs, and they face greater challenges in raising funds when Americans are struggling to meet their own increased costs of living. As service providers, charities witness the effects of an economic slowdown in the increasing numbers of ordinary Americans who are coming to their doors seeking meals, shelter, health care, job training, and a host of other services to address their immediate needs.

As this Committee and all of Congress consider the best approaches to alleviate the effects of this downturn, we urge you to remember the charitable organizations working to improve our communities and serve the American people. Specifically, we are asking the Committee to include in its package of economic stimulus components two measures that could help charities to raise funds and resources that would be put to use immediately: the extension of the IRA charitable rollover provision and the food donation incentive which expired at the end of last year.

Independent Sector is a national, nonpartisan charitable organization with approximately 600 members, including public charities, private foundations, and corporate giving programs, collectively representing tens of thousands of charitable groups in every state across the nation. Our coalition leads, strengthens, and mobilizes the charitable community to fulfill our vision of a just and inclusive society and a healthy democracy of active citizens, effective institutions, and vibrant communities. IS members represent a broad cross-section of our nation’s nonprofit community, which exists to meet society’s needs, frequently in partnership with government, in diverse areas such as the arts, education, human services, community development, and health care.

## The Nonprofit Sector and the Economy

The nonprofit sector plays a pivotal role in the U.S. economy as an employer and purchaser of goods and services, and as providers of critical services benefiting individuals and communities. More than 170 years ago, Alexis De Tocqueville marveled in *Democracy in America* at how Americans came together to solve problems through voluntary associations. He came to see these efforts as one of America's most distinctive features.

Today, America's charitable community plays an even more indispensable role in improving lives across the country and around the world. We now encompass more than 1.5 million organizations, of all sizes and in every community, that help secure basic needs, create opportunities, offer hope, foster creative expression, and nurture our spirits. We are religious and secular relief organizations. We are therapy centers for disabled children, inner-city free clinics, and after-school programs. We are community and family foundations that fund services for the most vulnerable, creative arts programs, and economic development. We are small neighborhood groups that clean the roadsides, protect our children, and fight for the causes we believe in. Every American's life is improved by the work of nonprofit organizations.

The nonprofit sector has also become a major component of our economy. In 2004, 501(c)(3) organizations employed 9.4 million individuals, or approximately 7.2 percent of the U.S. economy.<sup>1</sup> This is greater than the number of people collectively employed in finance, insurance, and real estate.<sup>2</sup> If volunteers are included, the total workforce of 501(c)(3) organizations climbs to the equivalent of 14.1 million full-time employees. The total combined assets of public charities and private foundations are estimated at \$3 trillion for 2004.<sup>3</sup>

As this Committee considers its next steps, we urge you to recognize the effects of a downturn on the nonprofit community. The experience of the 2001 recession, when charities noted a sharp drop in donations after a seven-year climb, gives an indication of what may soon happen. According to *Giving USA*, an annual survey on the state of philanthropy, corporate donations fell by more than 14.5 percent and social service and health care charities saw, on average, a 19 percent cut in their funding. The *New York Times* reported last week that "steep drops in the stock market and consumer confidence, rising inflation, falling retail sales and pessimism about the economy do not bode well for fund-raising this year."

Declining resources come at the worst time – when an economy trending toward full scale recession increases the strains on people in need and increases the demand for the services

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<sup>1</sup> Lester Salamon and S. Wojciech Sokolowski, "Employment in America's Charities: A Profile," (Baltimore: The Johns Hopkins Center for Civil Society Studies, December 2006) p. 3  
<http://www.jhu.edu/~ccss/research/pdf/Employment%20in%20Americas%20Charities.pdf> accessed 4 January 2007.

<sup>2</sup> US Department of Labor Bureau of Labor Statistics, "Employment, Hours, and Earnings from the Current Employment Statistics survey (National): Financial Activities,"  
[http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?&series\\_id=CEU550000001](http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?&series_id=CEU550000001) accessed 3 Nov 2006.

<sup>3</sup> Thomas Pollack and Amy Blackwood, "The Nonprofit Sector in Brief: Facts and Figures from the Nonprofit Almanac 2007," (Washington, D.C.: Urban Institute 2006) p. 2.

that charities provide. Last month, the *Washington Post* reported, “With gasoline prices and utility rates rising and the economy softening amid a mortgage crisis, many of the region’s working families are struggling to pay their bills and are seeking help at food banks and soup kitchens.” John Ziraldo, CEO of the Lighthouse of Oakland County in Michigan, says that “more than a third” of his clients have never asked for assistance before. Similarly, even the \$2 million that the Good Shepherd Food Bank in Auburn, Maine raised in 2007 was not enough to offset a 25 percent increase in the requests for food from hungry families.

### Stimulus That Makes Sense

As the Committee considers the many components that could stimulate the economy, we request that you consider a provision that could help the nonprofit community tend to the needs of individuals and communities adversely affected by the economy. Specifically, we urge the Committee to extend the IRA charitable rollover provision that expired at the end of last year. This measure simultaneously injects needed resources into the economy and strengthens the safety net of services for those adversely affected by the downturn.

From its enactment in August 2006 until its expiration last month, the IRA rollover tax incentive helped nonprofits enrich lives and strengthen communities. By eliminating the barrier in the tax law that had previously discouraged transfers from individual retirement accounts to charities, the rollover enabled Americans aged 70½ and older to make millions of dollars of new contributions to nonprofits – including hospitals, human services charities, and religious organizations – that serve people every day.

This provision is not just directed to the wealthiest Americans. While some donors made gifts at the maximum allowed amount of \$100,000, the average gifts have been much smaller. Our members report that the vast majority of gifts that were a direct result of the IRA rollover came from people of moderate means who saved over a lifetime and found that they have more in their retirement accounts than they need to address their own needs. One of our members, the YMCA of the USA, which provides a wide range of services to families and at-risk youth, reports that its average IRA charitable rollover donation was under \$1,000, and that typical gifts were much less. Another Independent Sector member, United Jewish Communities, estimates that its average donation from IRAs is less than \$20,000.

Donations to charities from individual retirement accounts can serve an important stimulus to the economy by taking money from passive investment accounts and injecting it into the economy. Although comprehensive statistics do not exist, examples demonstrate that previous donations provided significant benefits to communities. For instance, a donation from an IRA has accelerated the building of a new Jewish Community Center in Baltimore one year ahead of schedule. The PenBay Medical center in Rockland Maine received an IRA donation earmarked for the purchases of bassinets, OB/GYN materials, and specialty wheel chairs, while the Children’s Hospital of Arkansas and the Mary Bridge Children’s Hospital in Tacoma, Washington received IRA contributions for equipment, renovations, and capital projects. In tens of thousands of towns and cities, IRA charitable rollovers have produced investments that generate high-quality jobs.

Perhaps more importantly, the IRA charitable rollover already has a track record in helping charities help their communities in times of need. For example, when the Southwestern Virginia Second Harvest Food Bank received a contribution of \$3,275 as the result of the IRA rollover provision, it was able to distribute an additional 13,100 pounds of food, which had a wholesale value of \$19,650, in the Salem, Virginia area. A \$15,000 donation to Lutheran Social Services of North Dakota enabled that organization to continue and improve economic-self-sufficiency aid and education, counseling for at-risk youth, and aid and services to area farmers and ranchers. Goodwill Industries of Southeastern Wisconsin received \$20,000 to support its adult day care enrichment programs, particularly an art-therapy program for the developmentally disabled.

In short, when the needs of our citizens increase due to economic troubles, charities are there. Extending the IRA rollover for 12 to 24 months will provide thousands of charities with the extra resources they need to respond to the growing demand for their services caused by the economic slowdown. Adding an extension of the IRA charitable rollover provision to the stimulus bill will have the double effect of helping the economy and serving the needs of the people who are directly, adversely affected by the downturn.

We also urge the Committee to consider including in its recommendations for a stimulus package a second provision that would directly address human needs: the extension of the enhanced charitable deduction for contributions of food inventory. Food banks strive to serve every hungry American who seeks their services. The food donation provision, which expired at the end of last year, permitted grocery stores, farmers, ranchers, small businesses, and restaurateurs to donate wholesome food for hungry Americans and have the same access as corporations do to the enhanced tax deduction for contributions of food inventory. An extension of this giving incentive would have an immediate impact on the lives of persons struggling to get by in a slowing economy, and give essential assistance to the charities that are dedicated to serving their needs.

In conclusion, as the Committee considers proposals that “can really rev our economy’s engines,” as Chairman Baucus said last week, we urge you to include extension of the IRA charitable rollover and the food inventory provisions, both of which benefit the economy, as well as the individuals and communities that are struggling.