



INDEPENDENT SECTOR

A vital voice for us all

March 11, 2008

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The Honorable Kent Conrad
United States Senate
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Constitution Avenue and 2nd Street, NE
Washington, DC 20510-3403

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Public Agenda

Dear Senator Conrad:

I am writing on behalf of Independent Sector to commend the Senate Budget Committee for crafting a budget resolution for fiscal year 2009 that recognizes the importance of federal government support to sustain critical community services while providing a fiscally responsible framework for the long term fiscal health of our nation. Independent Sector's more than 600 member organizations represent a broad cross-section of our nation's nonprofit community, which exists to meet society's needs in diverse areas such as education, human services, community development, health and more. Our organizations work in partnership with government to address the needs of communities throughout our nation, and federal government's budget policies have a strong affect on our ability to serve communities today and in the future.

In particular, we support the budget resolution's adherence to pay-as-you-go budget rules, and inclusion of increased funding for non-defense discretionary programs and for the enforcement and educational activities of the Internal Revenue Service. We are encouraged by the provision of a tax relief reserve fund that would permit the Senate to extend expired tax provisions that enable Americans to support community services through charitable contributions. Finally, we appreciate your recognition that the estate tax is a significant source of revenue for programs supported by the federal government and an important incentive for charitable giving.

1. Adherence to PAYGO

Independent Sector strongly supports the continuation of pay-as-you-go (PAYGO) budget rules that apply equally to mandatory spending and tax cuts. These rules help Congress to achieve a fair balance between addressing the nation's long-term budget deficit and preserving vital programs that help to sustain, protect and strengthen our communities.

The Honorable
John W. Gardner (1912-2002)
Founding Chair

Brian O'Connell
Founding President and President Emeritus

2. Adequate funding of non-defense discretionary spending

Independent Sector supports the Budget Committee's proposed \$18 billion increase in non-defense discretionary funding in order to ensure appropriate government financing for vital community services. Federal, state, and local governments administer many discretionary programs directly, or turn to nonprofits or private entities to administer the programs on their behalf. Over the past five years, funding for discretionary programs has failed to keep pace with the rate of inflation, placing increasing financial burdens on states, localities, and the nonprofit community to maintain necessary services. It is critical that this funding be maintained at levels that reflect inflation, population growth, and America's changing needs. This is particularly important while our nation experiences the current economic downturn, increasing demand for services.

We commend the Budget Committee for recognizing the potential negative consequences of continued under-funding for non-defense discretionary programs. We also share the Committee's view, as reflected in the Resolution, that increased funding for non-defense discretionary programs, should not come at the expense of mandatory programs, particularly those that provide critical support to our country's most vulnerable populations.

3. Adequate funding for the IRS

Research indicates that a healthy Internal Revenue Service enforcement budget could help to narrow the nation's tax gap and ultimately reduce the federal deficit. We strongly support the appropriation of adequate resources for the enforcement and educational activities of the IRS as a means of ensuring greater compliance with tax laws. In particular, we are supportive of measures by the Senate, as outlined in Section 211 of the budget resolution, to provide additional appropriations instructions for enhanced tax enforcement as a means of addressing the federal tax gap.

4. Extension of charitable giving incentives

The inclusion in the budget resolution of a tax relief reserve fund demonstrates the commitment of the Senate Budget Committee to extending expiring tax incentives that have a direct impact in communities throughout the country. As you are aware, numerous charitable giving tax incentives, such as the IRA charitable rollover, expired on December 31, 2007 and require immediate action by Congress to enable nonprofit organizations to extend or expand the services they provide to individuals and communities. It is imperative that Congress enact the package of expired and expiring tax provisions, known as the 'extenders package,' as soon as possible. In support of that goal, and in recognition of the widely shared commitment to the nonprofit giving incentives, we urge you to include in the Section 301 reserve fund express reference to the IRA charitable rollover and other charitable incentives.

5. Maintaining the estate tax

Independent Sector supports retaining the estate tax as both a critical source of revenue for the federal government and as an important incentive for giving to charity. It is estimated that a full repeal of the estate tax will cost the federal government \$522 billion in much needed tax revenue over five years. Further, the Congressional Budget Office has estimated that if the federal estate tax had not existed in 2000, charitable donations would have been

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reduced by a stunning \$13 to \$25 billion that year. If the estate tax were retained in a smaller form, the CBO study indicates that the drop in charitable giving would be much smaller. An exemption of the first \$2 million to \$3 million of an individual's estate (and twice that amount for couples) would have reduced charitable giving by just \$1 billion to \$6 billion in 2000.

While we oppose repeal or irresponsible reforms to the estate tax, we recognize that responsible reforms may be warranted. In the context of the budget process, we believe that the solution is to protect family farms and small business owners while also ensuring adequate federal revenues and encouraging charitable contributions that help nonprofits implement, complement and enhance services provided by government and business.

We appreciate your consideration of these views. Independent Sector stands ready to assist the Committee in its work to present a responsible and effective federal budget for fiscal year 2009.

Sincerely,

A handwritten signature in blue ink that reads "Diana Aviv". The signature is written in a cursive, flowing style.

Diana Aviv
President and CEO
Independent Sector