



FOR IMMEDIATE RELEASE

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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Nonprofits and Charitable Giving**

Henry David Thoreau wrote, "Goodness is the only investment that never fails."

Nonprofit organizations invest in our communities. They deliver essential services and benefits to those most in need. And they play a key role creating jobs and improving our economy. Nonprofits employ ten percent of the U.S. workforce. Many are small employers. Nonprofits in my home state employ 40,000 Montanans.

And in these tough economic times, the role of nonprofits becomes even more important. Donations are up four percent this year compared to 2009, but giving levels are still far below where they were before the 2008 economic downturn.

At the same time, unemployment and increased homelessness are causing more people to rely on these organizations. Nonprofits are being forced to do more with less.

These organizations are particularly important to America's rural communities. That's why I worked with Montana nonprofits and foundations in 2006 on a larger, long-term effort to diversify support for rural and frontier communities.

Rural philanthropy fuels economic, infrastructure and human resource needs by encouraging nonprofit partnerships. Local nonprofits are able to partner with schools, businesses, and government agencies to deliver results.

These partners rely on the benefits of the charitable tax deduction, which is why we must ensure the deduction is fair and effective.

The foundation of tax-exempt organizations is based on a relationship of trust. Citizens and businesses invest energy and hard-earned money in nonprofits because they believe in their mission. In return, we ask that they fill a unique space that government and the private sector do not occupy.

It is the obligation of this Committee to ensure that nonprofits uphold their commitment, and it is our duty to make sure the tax code encourages charitable donations in the most efficient way possible.

Most Americans aren't able to receive tax benefits from the charitable deduction since they don't itemize. Less than one-third of taxpayers itemized their deductions last year. Out of these folks who do

itemize, 86 percent claimed the charitable deduction, but only 27 percent of all Americans claimed the deduction.

People with different income levels tend to give to different types of charities. Higher-income households give more often to health organizations, while lower-income families statistically donate more to religious or basic-need charities. This results in the tax code giving large subsidies to some charities and smaller subsidies to others.

The nonprofit sector predates the U.S. tax code. Our nation's early settlers formed charitable and voluntary associations with their neighbors to get things done.

Americans have always valued these traditions of volunteerism, philanthropy and community. For these reasons, the charitable deduction and nonprofit exemption were incorporated into our tax code. Today's nonprofit organizations help to carry on these values. Their work helps improve all of our communities.

One organization that exemplifies these values is the Montana Nonprofit Association. Last month they celebrated their 10th anniversary.

Their members have helped improve Montana on so many fronts – education, health and human services, arts and culture, religious and spiritual development, environmental protection, economic and workforce development and more.

This anniversary commemorates years of hard work, civic engagement and a social contract in the state of Montana. I would like to take a moment to congratulate those members and thank them for their service to Montana.

So let us remember the wisdom of Henry David Thoreau: That goodness is an investment that never fails. Let us invest in our communities. Let us encourage charitable giving in a way that is fair and efficient. Let us ensure benefits get to the folks in need. And let us continue to make sure nonprofits have the resources they need to continue their good work.

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