

# League of American Orchestras

## Comments to Senate Finance Committee Tax Reform Working Groups April 15, 2015

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As Congress considers policy approaches to tax reform, the League of American Orchestras urges the Senate Finance Committee to support the vital work of nonprofit organizations in communities nationwide by preserving the tax deduction for gifts to charitable organizations and supporting policies that strengthen the nonprofit sector. Private contributions are a critical source of support that enables orchestras to broaden public access to the arts, nurture cultural diversity, spur the creation of new artistic works, and foster a sense of cultural and historic pride, all while supporting countless jobs in communities nationwide.

The League of American Orchestras leads and supports America's orchestras and the vitality of the music they perform. Founded in 1942 and chartered by Congress in 1962, the League links a national network of thousands of instrumentalists, conductors, managers, board members, volunteers, and business partners. Its diverse membership of approximately 800 nonprofit orchestras across North America ranges from world-renowned symphonies to community groups, from summer festivals to student and youth ensembles. Orchestras unite people through creativity and artistry, fuel local economies and civic vitality, and educate young people and adults – all with the support of private contributions, volunteers, and community partners.

We urge the Committee and Working Groups to take the following into consideration when drafting tax reform measures:

**Charitable giving is an essential form of support. Declines in giving would result in the loss of vital local nonprofit programs.** Orchestras, as tax-exempt organizations, are partners in the nation's nonprofit charitable sector working to improve the quality of life in communities nationwide. Orchestral activity is supported by an important combination of public volunteerism, private philanthropy, and civic support that is made possible by virtue of tax exempt status and incentives for charitable contributions. Ticket sales and admission fees alone do not come close to subsidizing the artistic presentations, educational offerings, and community-based programming of nonprofit arts organizations. In fact, total private

contributions represent roughly 47% of the revenue that makes the work of U.S. orchestras possible.

We urge the Committee to approach the topic of Unrelated Business Income Tax (UBIT) with care and deliberation. Along with others in the nonprofit community, orchestras viewed with great concern the treatment of sponsorship payments in the House Ways and Means tax reform proposal. The House bill provided that if a sponsorship payment exceeds \$25,000 for a single event, any use or acknowledgement of the sponsor's name or logo may only appear with, and in substantially the same manner as, the names of a significant portion of the other donors to the event. Contributions acknowledged in a different manner would be treated as advertising income by the tax-exempt organization and subject to UBIT.

Current law already provides that UBIT is incurred any time the sponsor's product is advertised. Sponsorship recipients may not provide qualitative information about the product, urge its purchase, or provide any information on how or where to purchase it. The mere acknowledgement of the size of a sponsorship is no different from acknowledging the size of charitable gifts from individuals, which is standard practice for charities of every kind. Subjecting the sponsorship to tax would simply divert money from its intended philanthropic use.

At a time when all forms of revenue – earned, philanthropic, and governmental – are extremely challenged, many nonprofit cultural organizations are simply unable to withstand decreasing support from donors.

**The tax incentive for charitable contributions does not increase the wealth of individual donors; it uniquely encourages private, individual investment in the public good.** While the initial impulse to give comes from the heart, studies have repeatedly shown that charitable giving incentives have a significant impact on how much and when donors contribute. Charitable giving incentives encourage donors to give more to support the causes they identify as beneficial to their communities. Congress wisely recognized the importance of giving incentives by reinstating and extending the IRA Charitable Rollover provision through the end of 2013, even in the midst of the complicated fiscal cliff negotiations. Unfortunately, the IRA Rollover has once again expired. Many donors do carefully plan their giving, taking into account available tax incentives. The repeated cycles of expiring charitable giving provisions, like the IRA Rollover, together with the threat of changes to the deductibility of contributions, unnecessarily create a climate of uncertainty for donors. We urge the Committee to act to make the IRA Rollover provision permanent and to remove from consideration proposals that would diminish charitable giving incentives.

Should charitable giving incentives be scaled back, it is the public – not wealthy donors – who would suffer. Orchestras, like other nonprofit organizations, rely on contributions from donors from across the economic spectrum. Should individual donations decline, the capacity of nonprofit performing arts organizations to provide educational programs and widely accessible

artistic events, and to boost the civic health of communities and the artistic vitality of our country, would be diminished at a time when the services of all nonprofits are most in demand.

**Reducing incentives for charitable giving would harm nonprofit jobs.** Nonprofit jobs account for 1 in 10 members of the U.S. workforce. American orchestras employ thousands of professional musicians, administrators, educators, and stage personnel in cities and towns across the country. These workers are key contributors to their local “creative economy” through their day-to-day work, boosting their community’s reputation for excellence and competitive edge. They are also planting the seeds for future economic growth through the educational, artistic, and civic programs they present to young people, nurturing the next generation of workers who will be prepared to contribute to the global economy – which is increasingly reliant on creativity and the communication of ideas. The jobs of many artists and administrators working in the nation’s nonprofit performing arts community would be imperiled by declines in charitable giving.

**Orchestras are important contributors to the American civic life, and charitable giving to orchestras substantially improves the health, education, and artistic vitality of communities nationwide.** The programs and music of America’s orchestras are embraced, supported, and accessed by the public in communities large and small throughout our country. Here are facts about the contributions orchestras make to the public good:

- More than 26,000 concerts are given annually by orchestras, many of them specifically dedicated to education or community engagement, for a wide range of young and adult audiences. With the support of private contributions, these concerts are made available free of charge, or at reduced prices that provide access to families and attendees from across the economic spectrum.
- Orchestras partner with other community-based nonprofits every day to serve specific community needs. In a national survey, our members identify more than 40 types of programmatic activities that engage community partners, including health and wellness programs, engagement of military families, senior programs, and an extensive array of music education partnerships with schools and in afterschool settings. These partnerships include hands-on public participation in music making as well as immersion in the core music experience in the concert hall.
- Orchestral activity is not out of reach – it is embedded in civic life of towns and cities across our country. With nearly 1,400 symphony, chamber, collegiate, and youth orchestras across the country, America is brimming with extraordinary musicians, live concerts, and orchestras as unique as the communities they serve. Thousands of young people every day embrace the opportunity to perform side-by-side with their peers in determined pursuit of excellence. Meanwhile, adult professional and community orchestras of all sizes present extraordinary music written by today’s U.S. composers, as well as pieces old and new from across the globe.

- Through the power of music, orchestras unite individuals in the unique shared event of a large ensemble performance, and are often a focal point when a community seeks to commemorate an important civic moment. Orchestras, the musicians, and the music are a source of strength and pride, as well as a vehicle for community unification and reflection.
- Orchestras contribute to our nation's artistic vitality, supporting the creative endeavors of thousands of today's classical musicians, composers, and conductors, while strengthening, documenting, and contributing to our nation's diverse cultural identity.

In the broader tax reform debate, some have questioned the value of nonprofit cultural organizations when compared to nonprofits serving the basic human needs of food and shelter. We urge you to reject any attempts to divide the charitable sector. The United States relies upon the nonprofit community to provide many public services in fields ranging from public health and education to arts and culture. The various types of charitable organizations that comprise the nonprofit sector do not exist or operate in silos. They are tightly connected through critical local partnerships that leverage shared resources and strengthen services to the public. Diminish one part of the sector, and the entire sector and the public it serves will suffer.

Thank you for this opportunity to express the value of charitable contributions to the communities served by orchestras across the nation. America's orchestras promote access to the arts, are important participants in education for children and adults, and support jobs and economic growth – all in partnership with other community-based organizations. On behalf of the full range of American orchestras, I urge the Committee and its working groups to preserve and strengthen tax incentives for charitable giving.