

In Defense of Taxes--Even if they cut into charitable giving

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Seventy percent of American households contribute to nonprofits. Only one-third of taxpayers itemize their deductions. In other words, a majority of donors currently get no tax benefit from their giving.

In recent months, nonprofit organizations mobilized against the threat that Congress would limit tax deductions for charitable gifts. Because charitable deductions provide an incentive for giving, many nonprofit leaders fear that scaling them back will make it harder to raise money. Following the “fiscal cliff” negotiations, the charitable deduction remains more or less intact – at least for now. As we consider the broader implications of tax reform and government spending and gear up for legislative fights to come, I am concerned that many of my nonprofit colleagues are overreacting or – even worse – responding to the wrong threat.

... The larger issue is the demonization of government and the culture of tax avoidance. For the past thirty years, we’ve heard the insistent drumbeat of the argument that government is bad, and therefore paying taxes is a waste of money. A recent vice presidential candidate called taxes “unpatriotic.” I prefer the perspective of Supreme Court Justice Oliver Wendell Holmes, who said, “Taxes are the price we pay for a civilized society.” While many nonprofit networks were mounting an all-out campaign to preserve the charitable deduction, a handful of important voices – including author Kim Klein and Aaron Dorfman of the National Committee for Responsive Philanthropy – were offering more nuanced messages, in the spirit of Justice Holmes, about tax policy, equity, and democracy.

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