Would US Fiscal Cliff Lower Charitable Contributions?

In the U.S., it seems the impending "fiscal cliff" is in the news on a daily basis. The combination of several components creates the so-called cliff: several tax provisions will expire at the end of 2012, including the 2001/2003 Bush tax cuts, Obama's 2009 stimulus act, and a number of automatic spending cuts will take effect.

According to the Heritage Foundation, if the U.S. goes over the **fiscal cliff**, the average American will see their taxes rise by over $4,100. But what does it mean for nonprofits like Compassion International?

"If the economic crisis impacts giving—lowers the amount of funds that are coming in to Compassion per child—that would certainly impact what we have to use for the development of children, and it would hurt our church partners," says Compassion's Senior Vice President Ed Anderson.

"The fiscal cliff would really hurt the **economic recovery** of the country," he says, "and therefore indirectly would make it much harder for ministries like Compassion to grow."

Despite the disparity that seems to accompany most of what we hear about today's economy, a statement from Anderson's co-worker keeps him centered.

"The children that we work with face a fiscal cliff every day of their lives. And yet they have more joy and peace that's far deeper than most of us here in the United States," Anderson recounts. "That really puts things in perspective for me."

Congressional decision-makers on both sides of the aisle seem to view cuts, caps or limits to tax deductions for charitable giving as a valid way to avoid the fiscal cliff. Early last week, several hundred members of the Charitable Giving Coalition lobbied policymakers on Capitol Hill to save these deductions. But it's not the only plea they've made.

Formed in 2009, the Charitable Giving Coalition is dedicated to preserving the law that provides a charitable tax deduction for taxpayers who give money to charities. In mid-November, the group sent a letter to the White House, asking President Obama to keep the charitable deduction at its present level of 35 percent.

Obama has proposed lowering and capping the deduction at 28 percent for couples whose incomes are at least $250,000 and individuals who make at least $200,000 a year. How does this fare with the American public?

A United Way poll of 2,000 U.S. adults revealed that without a tax deduction, one in four respondents would reduce their contributions by 50 percent or more. Another third of poll respondents said they'd reduce giving between 25-50 percent.

"But you really have to ask the question: What's the motivation for giving to a ministry or an organization?" says Anderson. "We believe most of Compassion's donors are primarily driven by the desire to release a child from poverty, as opposed to a tax deduction."

He says Compassion's leadership team isn't too concerned about the issue.

"This ministry, Compassion, is really not ours, and I would hope that most Christian ministries would have that perspective. We're all just tools of the Lord," Anderson says. "We do our best to be faithful and serve, but at the end of the day, it's up to the Lord to bless the results."

No matter where you stand politically, Americans should all pay attention to the economic condition of our nation. We'll take a closer look at this issue in the coming days.

In the meantime, pray.

“Pray that we would have a perspective that’s godly, and one that trusts in Him for everything that we need,” requests Anderson.