



Statement of Larry Minnix
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Before the House Committee on Ways and Means
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Chairman Camp and Ranking Member Levin: Greetings from the LeadingAge Chair-elect, David Gehm of Lutheran Homes of Michigan. He represents 6,000 LeadingAge members, serving 4.5 million seniors, employing well over one million people and hundreds of thousands of volunteers. The average age of our member organizations is 75 years. We are the widows' and orphans' homes of the last century, and today we are Jewish Home Life Care, Ecumen and Volunteers of America.

We are part of the philanthropic sector in America which is so embedded in our culture that we take it for granted—as some are doing now, by threatening the tax deductibility of charitable contributions.

In fact, we believe the charitable deduction is one of the most highly regarded and widely supported provisions in the tax code. Why?

First, charity is in our gene pool. Benjamin Franklin started the tradition by establishing the Leather Apron Society to help sick and wounded soldiers, a major concern even today. Alexis de Tocqueville commented on America's unique penchant for "enlarging the hearts of communities." Peter Drucker commented that America has three distinct and unique sectors that make us great and different: Government: to protect and defend. Business: to generate an economy. Not-for-Profit: To change lives.

Dr. Lester Salamon of the Johns Hopkins Center for Civil Society Studies—perhaps the most knowledgeable authority today on the importance and resilience of the not-for-profit sector, says we have four duties:

1. Guardians of Values
2. Meet unmet needs that are not profitable
3. Advocate for those who cannot advocate for themselves
4. Create social capital

The tax benefit not-for-profits receive is based on those responsibilities.

The not-for-profit sector's size and impact might surprise. Dr. Salamon says there are an estimated 2 million tax-exempt organizations, over half of which are service organizations known in every community, plus over 100,000 foundations, and 400,000 religious congregations. The sector employs 13.5 million people, third in size only to retail and manufacturing. Add 4.5

million volunteers and America has a workforce of 18 million who draw either livelihood or life enrichment from the sector.

The sector brings in \$1.7 trillion in revenue—most of which flows to health-related organizations, which is what the Jewish, Catholic, Methodist, Mennonite, and Masonic organizations I represent are part of.

Just over half the cost of the services non-profits provide is paid for by those they serve. Governments pay 38%, and philanthropy closes the 10% gap.

The Charitable Giving Coalition documents that, “For every \$1 subject to the charitable deduction, communities reap up to \$3 in benefits.” As their report says, “It’s unlikely government could find a more effective way to leverage private investment in vital community services.”

So, as government reins in its spending—which we all know we must do to get America’s financial house in order - philanthropy will be asked to fill gaps that ordinary families cannot cover themselves.

Examples. Golden Years Home in Indiana had to demolish an old nursing home—a need all over the country. Without a donor campaign, a new, modern state-of-the art nursing home would not be possible. Seventy-five percent of the residents of the new building are Medicaid beneficiaries. Since Medicaid does not cover the full cost of care, the difference has to be filled by annual fundraising. Philanthropy fills two gaps.

In 1968, The East Los Angeles Community Union – known as TELACU – was established as a pioneering nonprofit development corporation to create low income senior housing and education for young people.

TELACU’s academic programs for disadvantaged students have resulted in a 100% graduation rate for participating high school and college seniors in a county that over-all has a 40% graduation rate. None of this would be possible without philanthropy.

In aging services, contributions are needed to support low-income housing residents in thousands of HUD financed communities. Affordable housing with non-medical services can help seniors age in place and reduce health care costs. This return on investment through philanthropy shows up downstream in the health care sector of the economy. Bethany Center Senior Housing in San Francisco reports they don’t remember the last time a resident of the low-income housing community had to go to a nursing home. None of these outcomes are possible without philanthropy.

Lutheran Homes of Michigan runs Camp Hope, a grief camp for kids who have suffered the loss of a loved one. The camp is completely free of charge and supported by philanthropy. The camp has served over 500 kids in the past decade.

Our continuing care retirement communities, or CCRCs, are not-for-profit. They serve predominately a middle-income group of seniors. Their role in the continuum of services is that residents don't "spend down" to go on Medicaid because they are promised care for the rest of their lives. The CCRC model also plays a health-fostering and wellness role for seniors, helping them avoid disabilities and conditions that are difficult and expensive to treat. These communities depend on charitable giving to continue services for residents who outlive their means and for capital to maintain and upgrade their facilities.

And then there are programs like IONA House here in DC or Stoddard Baptist, one of the oldest African American long-term care organizations in America. They reach out to other low income, ethnic neighborhoods right here in our community. They couldn't serve without charity.

The power of the non-profit sector? Dr. Claire Gaudiani at Yale offers a provocative perspective in her book *The Greater Good: How Philanthropy Drives the American Economy and Can Save Capitalism*. She writes, "America is not generous because it is successful, it is successful because it is generous."

I urge the committee to preserve the income tax deduction for charitable contributions as you consider reforms to the federal tax code.