

**Statement by  
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to the House Ways and Means Committee  
Subcommittee on Oversight  
Hearing on Tax Exempt Organizations  
May 16, 2012**

Chairman Boustany, Ranking Member Lewis, and members of the Subcommittee, thank you for allowing me to submit this testimony. My name is Ford Bell and I serve as President of the American Association of Museums (AAM).

AAM is proud to work on behalf of the 17,500 museums that employ 400,000 people, spend more than \$2 billion annually on K-12 educational programming, receive more than 90 million visits each year from primary and secondary school students, and contribute more than \$20 billion to local economies. AAM is proud to represent the full range of our nation's museums – including aquariums, art museums, botanic gardens, children's museums, culturally specific museums, historic sites, history museums, maritime museums, military museums, natural history museums, planetariums, presidential libraries, science and technology centers, and zoos, among others, most of which are tax-exempt non-profit organizations.

I urge Congress to recognize that museums are public institutions that serve all communities. They depend on charitable gifts for more than one-third of their operating funds and, especially as a result of the economic downturn, have seen a decline in charitable gifts. Many museums have been forced to cut back on staff, programs, or hours. Some have even closed down entirely. Many of those that remain open face a very uncertain future, even as the demand for their programs and services increases.

The House recently approved a budget that calls for significant reductions – or elimination – of funds that support museums. To make matters worse, the report language specified that museums and similar organizations could “make up the difference” through increased charitable giving.

At a time when federal, city, and state governments are making tough choices about budget priorities – leaving many important programs underfunded – Congress can play a vital role in spurring private giving by expanding charitable giving incentives. Here are three areas where Congress could help charitable institutions attract contributions.

- **Deductibility of Charitable Gifts** -- We urge Congress to oppose proposals to limit the deductibility of gifts, which would hurt charitable organizations, including museums, by creating a disincentive for the most generous taxpayers. This is especially harmful at a time when charitable organizations are facing enormous financial challenges stemming from the economic downturn. The Giving USA Foundation recently reported that in 2008, the decline in total charitable giving was the greatest since the organization began tracking charitable donations in 1956. 2009 was just as devastating for some charities, which after years of public service, closed their doors for good. Studies indicate that donors give for many reasons—incentives such as tax deductions being among them. While Americans do not make charitable gifts only for tax reasons, tax incentives make more and bigger gifts possible. This has been recently demonstrated: During times of crisis, such as the natural disasters like Hurricane Katrina, the 2008 Midwest flooding, and earthquakes in Haiti and Chile, Congress has passed charitable giving incentives to make it easier for Americans to give donations and support to the nonprofits serving individuals, families and communities in need. The president has proposed to reduce the value of itemized deductions for charitable contributions in his FY13 budget. Under current law, a gift generates a tax deduction that is equal to the tax rate. For example, a taxpayer in the 35% bracket who gives \$1,000 gets a tax saving of \$350. Under the president's proposal, the same gift would generate a tax saving of \$280. In effect, this means that a portion of donated income is taxed. It is estimated that charitable gifts would fall by about \$7 billion annually if the proposal is approved.
- **IRA Charitable Rollover** -- We urge Congress support a permanent extension of the IRA Charitable Rollover. This tax incentive allows individuals aged 70½ and older to donate up to \$100,000 from their Individual Retirement Accounts (IRAs) and Roth IRAs to public charities without having to count the distributions as taxable income. Since enactment in August 2006, the IRA Charitable Rollover has generated a significant amount of new charitable giving. Congress has temporarily extended these giving incentives in the waning days of the calendar year for the past few years, making it less effective as a mechanism for the public to make charitable contributions, and unfortunately let it lapse at the end of 2011. We support the effort by Reps. Wally Herger (R-CA) and Earl Blumenauer (D-OR), as specified in H.R. 2502, the Public Good IRA Rollover Act of 2011, to make the IRA Rollover permanent, remove the arbitrary \$100,000 cap, and reduce the qualifying age to 59 ½.
- **Artist-Museum Partnership Act** -- We urge Congress to allow artists to deduct the fair market value of donated works. Living artists, writers, scholars, choreographers, and composers – many of whom earn very little – have no financial incentive to donate their works, because they cannot claim a tax deduction for the works' fair market value. Rather, they can deduct only the value of materials, such as paper, ink, paint, and canvas. As a result, works of local, regional, and national significance are sold into private

hands and are never made available to the public. Small and mid-sized museums – which often do not have the same financial resources and support as larger institutions – rely especially upon donations from creators to build and enhance their collections. We support the Artist-Museum Partnership Act of 2011, H.R. 1190, introduced in the House by U.S. Representatives John Lewis (D-GA) and Todd Platts (R-PA). The bill provides that a deduction equal to fair market value shall be allowed for charitable contributions of literary, musical, artistic, or scholarly compositions created by the donor, provided that the recipient organization use the work in a manner related to its charitable mission.

I want to reiterate that museums are public institutions that serve every community in every corner of our nation. Here are a few examples of how museums are benefitting their communities:

- **Museums are key education providers.** Each year, museums spend more than \$2.2 billion on educational programming and provide more than 18 million instructional hours to students and teachers, including the following: educational programming for students, museum staff visits to schools, traveling exhibits in schools, professional development for teachers, more than 90 million visits each year from school students. The typical museum devotes three-quarters of its education budget specifically to K-12 students. In 2010, despite a year of economic stress, 78% of museums maintained or expanded the resources devoted to K-12 education. Museums already offer educational programs in math, science, art, literacy, language arts, history, civics and government, economics and financial literacy, geography, and social studies, in coordination with state and local curriculum standards. Museums also provide experiential learning opportunities, STEM education, youth training, and job preparedness. They reach beyond the scope of instructional programming for schoolchildren by also providing critical teacher training. There is a growing consensus that whatever the new educational era looks like, it will focus on the development of a core set of skills: critical thinking, the ability to synthesize information, the ability to innovate, creativity, and collaboration. Museums are uniquely situated to help learners develop these core skills.
- **Museums address community challenges.** Many museums offer programs tailored to seniors, veterans, children with special needs, persons with disabilities, and more, greatly expanding their reach and impact. For example, some have programs designed specifically for children on the autism spectrum, some are teaching English as a Second Language, and some are serving as locations for supervised family visits through the family court system. In 2011, more than 1,500 museums participated in the Blue Star Museums initiative, offering free admission to all active duty and reserve personnel and their families from Memorial Day through Labor Day. Even more museums are expected to participate in the program this year.

- **Museums create jobs and support local economies.** Museums serve as economic engines, bolster local infrastructure, and spur tourism. Both the U.S. Conference of Mayors and the National Governors Association have recognized that cultural assets such as museums are essential to attracting businesses, a skilled workforce, and local and international tourism. Museums pump more than \$20 billion into the American economy, creating many jobs.
- **Digitization and traveling exhibitions bring museum collections to underserved populations.** Teachers, students, and researchers benefit when cultural institutions are able to increase access to trustworthy information through online collections and traveling exhibits.

I thank the Subcommittee for holding this important hearing and for accepting public witness testimony. I urge the Subcommittee to do all it can to incentivize private charitable giving to help nonprofits continue to serve their communities, especially at a time of reduced public funding at all levels of government.

Thank you once again for the opportunity to submit this testimony.