



"Giving" Advice



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ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors

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A Debate Escalates Over Charity, and Its Tax Breaks

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By Stephanie Strom, The New York Times Media Group

New York—Eli Broad, a billionaire businessman, has given away \$648 million over the last five years, to Harvard University and the Massachusetts Institute of Technology to establish a medical research institute, to the Los Angeles County Museum of Art, and to programs to improve the administration of urban schools and public education.

The rich are giving more to charity than ever, but Broad is not the only one footing the bill for such generosity. For every three dollars he and other wealthy individuals give away, the U.S. government typically gives up a dollar or more in tax revenue, because of the charitable tax deduction and by not collecting estate taxes.

Broad says his gifts provide a greater public benefit than had the money gone to taxes for the government to spend. "I believe the public benefit is significantly greater than the tax benefit an individual receives," Broad said. "I think there's a multiplier effect. What smart, entrepreneurial philanthropists and their foundations do is get greater value for how they invest their money than if the government were doing it."

It is an argument made by many of the nation's richest individuals. But not all of them. Take the investor William Gross, also a billionaire. Gross vigorously dismisses the notion that the wealthy are helping society more effectively and efficiently than government.

"When millions of people are dying of AIDS and malaria in Africa, it is hard to justify the umpteenth society gala held for the benefit of a performing arts center or an art museum," he wrote in his investment

transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

commentary this month. "A \$30 million gift to a concert hall is not philanthropy, it is a Napoleonic coronation."

Elaborating during an interview, Gross said he did not think the public benefit from philanthropy was commensurate with the tax breaks the givers received. "I don't think we're getting the bang for the buck for gifts to build football stadiums and concert halls, with all due respect to Carnegie Hall and other institutions," he said. "I don't think the public would vote for spending tax dollars on those things."

The billionaires' differing views epitomize a growing debate over what philanthropy is achieving at a time when the wealthiest Americans control a rising share of the national income and, because of sharp cuts in personal taxes, give up less to government.

A common perception of philanthropy is that one of its central purposes is to alleviate the suffering of society's least fortunate and therefore promote greater equality, taking some of the burden off government. In exchange, the United States is one of a handful of countries to allow givers a tax deduction. In essence, the public is letting private individuals decide how to allocate money on their behalf.

What qualifies for that tax deduction has broadened over the 90 years since its creation to include everything from university golf teams to puppet theaters—even an organization established after Hurricane Katrina to help practitioners of sadomasochism obtain gear they lost in the storm.

Roughly three-quarters of charitable gifts of \$50 million or more from 2002 through March 31 went to universities, private foundations, hospitals, and art museums, according to the Center on Philanthropy at Indiana University.

Of the rest, the Bill & Melinda Gates Foundation accounted for half on the center's list. That money went primarily to improve the lives of the poor in developing countries.

Valuable as that may be, it also meant that the American public effectively underwrote several billion dollars worth of foreign aid by private individuals, even though poll after poll shows that Americans are at best ambivalent about using tax dollars for such assistance.

In contrast, few gifts of that size are made to organizations like the Salvation Army, Habitat for Humanity, and America's Second Harvest, whose main goals are to help the poor in the United States. Research shows that less than 10 percent of the money Americans give to charity addresses basic human needs, like sheltering the homeless, feeding the hungry, and caring for the indigent sick, and that the wealthiest typically devote an even smaller portion of their giving to such causes than everyone else.

"Donors give to organizations they are close to," said H. Art Taylor, president and chief executive of the BBB Wise Giving Alliance. "So they give to their college or university, or maybe someone close to them died of a particular disease so they make a big gift to medical research aimed at that disease. How many of the superwealthy have that kind of a relationship with a soup kitchen? Or a homeless shelter?"

Philanthropists like Broad say that looking at philanthropy solely as a means of ameliorating need is too narrow. "If you look historically at what Carnegie did with creating a library system and the Rockefellers in creating Rockefeller University, I think it does a lot more for society than simply supporting those in need," Broad said.

About 2 percent of the money Broad has given away through his two foundations over the last five years, or \$15 million, went to support organizations like the United Way and the United Jewish Fund, which serve needy people as well as the middle class.

Still, Broad dedicates his biggest gifts to areas he thinks lack government support, like the \$25 million he gave to the University of Southern California last year to found an institute for integrative biology and stem cell research, or the tens of millions he dedicated to complete the new Disney concert hall in Los Angeles.

Like many philanthropists, Broad said he considered such gifts an illustration of the proverb: "Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime." The argument is that simply taking care of the poor does nothing to eliminate poverty and that they will ultimately benefit more from efforts to, for example, find cures for the diseases that afflict them or improve public education.

As for Gross, despite his uncharacteristically fiery criticism of what he calls "philanthropic ego gratification," some of the large gifts he and his wife, Sue, have made are not so different from those made by other billionaires. He has given millions to a local hospital, for example. And in 2005 the couple gave roughly \$25 million to Duke University, Gross's alma mater.

But the Duke gift illustrates Gross's priorities. The money is almost exclusively for scholarships.

"Universities have their own thing going—they want to build infrastructure and endowments and perpetuate their system, which isn't necessarily in the social interest," Gross said. "Scholarships get a little more down to the ground level."

Warren Buffett, another billionaire investor, also voices strong feelings about how donations are used.

When Buffett pledged \$31 billion to the Gates Foundation, he included a little-noted requirement that the foundation spend each increment of the

gift he hands over, in addition to its own annual legally mandated spending. If he transfers \$1.3 billion of stock to it, it must spend every nickel within a year.

"I wanted to make sure," he said, "that to the extent I was providing extra money to them, it didn't just go to build up the foundation size further but that it was put to use."

The Gates Foundation's work is largely international, although a portion of its spending supports efforts to improve urban education and access to college, so Buffett's money is unlikely to be used to address basic needs in the United States.

"I think the government ought to make sure that all the people here who drew short straws have a decent minimum," Buffett said. "We moved toward that with Social Security, but we could go a lot further now."

He does not regard his gift as charitable and expects no tax benefit from it, in part because he has credit for past donations that he has not used.

Rather, he considers his sister, Doris Buffett, the "real philanthropist" in the family. Doris Buffett runs an organization, the Sunshine Lady Foundation, that helps the needy pay for scholarships, medical bills, mortgage payments, glasses and cars.

The charitable deduction cost the government \$40 billion in lost tax revenue last year, according to the Joint Committee on Taxation, more than the government spends altogether on managing public lands, protecting the environment, and developing new energy sources.

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