Thank you for the opportunity to provide comments for the record related to the Senate Finance Committee’s hearing on individual tax reform, held on September 14, 2017. We are also grateful for this important opportunity to provide an initial response to the September 27 release of the *Unified Framework for Fixing the Broken Tax Code*, which Chairman Hatch has described as “a critical roadmap for the tax-writing committees.”

The League of American Orchestras leads and supports America’s orchestras and the vitality of the music they perform. Founded in 1942 and chartered by Congress in 1962, the League links a national network of thousands of instrumentalists, conductors, managers, board members, volunteers, and business partners. Its diverse membership of approximately 800 nonprofit orchestras across North America ranges from world-renowned symphonies to community groups, from summer festivals to student and youth ensembles. Orchestras unite people through creativity and artistry, fuel local economies and civic vitality, and educate young people and adults – all with the support of private contributions, volunteers, and community partners.

As the Congress prepares to take next steps in detailing a tax reform plan, we provide comments here that reiterate key points communicated to the Finance Committee by the League of American Orchestras in response to Chairman Hatch’s June 16, 2017 request for stakeholder feedback on tax reform. The League of American Orchestras continues to urge the Committee to support the vital work of nonprofit organizations by preserving and strengthening tax incentives for charitable giving and supporting policies that strengthen the nonprofit sector. Private contributions are a critical source of support that enables orchestras to broaden public access to the arts, nurture cultural diversity, and spur the creation of new artistic works, all while supporting countless jobs in communities nationwide. We urge the Committee to take the following into consideration in shaping tax reform proposals:

**Ensure that comprehensive tax reform results in increased giving by more donors.** While leadership on House and Senate Committees has expressed support for preserving the charitable deduction and enacting policies that incentivize even more giving, the proposal in the
**Unified Framework for Fixing the Broken Tax Code** to increase the standard deduction would reduce the number of itemizers that make use of the charitable deduction to just 5% of taxpayers, resulting in a loss of up to $13 billion in contributions annually. Efforts to simplify the tax process could ensure increased charitable giving by enacting a charitable deduction available to *all* taxpayers, whether or not they itemize. The League of American Orchestras endorses the statement submitted to the Committee by the Charitable Giving Coalition, which explains in detail how a universal charitable deduction would increase charitable giving by $4.8 billion per year, while cultivating new generations of philanthropists and encouraging a tradition of giving among all taxpayers.

While the initial impulse to give comes from the heart, studies have repeatedly shown that charitable giving incentives have a significant impact on how much and when donors contribute. Should charitable giving incentives be scaled back, the public would suffer. Orchestras, like other nonprofit organizations, rely on contributions from donors from across the economic spectrum. If individual donations were to decline, the capacity of nonprofit performing arts organizations to provide educational programs and widely accessible artistic events, and to boost the civic health of communities and the artistic vitality of our country, would be diminished at a time when the services of all nonprofits are most in demand. The tax incentive for charitable contributions uniquely encourages private, individual investment in the public good.

**Charitable giving is an essential form of support. Declines in giving would result in the loss of vital local nonprofit programs.** Orchestras, as tax-exempt organizations, are partners in the nation’s nonprofit charitable sector working to improve the quality of life in communities nationwide. Orchestral activity is supported by an important combination of public volunteerism, private philanthropy, and civic support that is made possible by tax exempt status and incentives for charitable contributions. Ticket sales and admission fees alone do not come close to subsidizing the artistic presentations, educational offerings, and community-based programming of nonprofit arts organizations. In fact, orchestras participating in the League’s Orchestra Statistical Report in 2014 indicated that total private contributions represent 39.7% of the revenue that makes the work of U.S. orchestras possible.

**Reducing incentives for charitable giving would harm communities.** Nonprofit jobs account for 1 in 10 members of the U.S. workforce. American orchestras employ thousands of professional musicians, administrators, educators, and stage personnel in cities and towns across the country. These workers are key contributors to their local creative economy through their day-to-day work, boosting their community’s reputation for excellence and competitive edge. They are also planting the seeds for future economic growth through the educational, artistic, and civic programs they present to young people, nurturing the next generation of workers who will be prepared to contribute to the global economy – which is increasingly reliant on creativity and the communication of ideas. The jobs and work product of many artists and administrators working in the nation’s nonprofit performing arts community would be imperiled by declines in charitable giving.
Maintain and strengthen the IRA Charitable Rollover Provision. Congress wisely recognized the importance of giving incentives by reinstating and making permanent the IRA Charitable Rollover provision in December of 2015 through the Protecting Americans from Tax Hikes (PATH) Act, after years of expiration and temporary reinstatement. The IRA Rollover provision can be strengthened by lowering the age requirement to 59½ and removing the $100,000 cap on qualifying donations.

We urge the Committee to consider carefully the impact of changes to Unrelated Business Income Tax (UBIT) requirements. Along with others in the nonprofit community, orchestras viewed with great concern the treatment of sponsorship payments in Section 5008 of H.R. 1 in the 113th Congress. Under the House bill, if a sponsorship payment exceeds $25,000 for a single event, any use or acknowledgement of the sponsor’s name or logo may only appear with, and in substantially the same manner as, the names of a significant portion of the other donors to the event. Contributions acknowledged in a different manner would be treated as advertising income by the tax-exempt organization and subject to UBIT.

Current law already provides that UBIT is incurred any time the sponsor’s product is advertised. Sponsorship recipients may not provide qualitative information about the product, urge its purchase, or provide any information on how or where to purchase it. The mere acknowledgement of the size of a sponsorship is no different from acknowledging the size of charitable gifts from individuals, which is standard practice for charities of every kind. Subjecting the sponsorship to tax would simply divert money from its intended philanthropic use and leave nonprofit cultural organizations with fewer resources to serve their communities.

Enact the Artist-Museum Partnership Act, S. 1174, which would allow artists, writers, and composers to take an income tax deduction for the fair market value of their work when donating it to charitable collecting institutions. For many years, artists, writers, and composers could take a fair market value deduction for their works donated to a museum, library, or archive. Currently, creators may take a deduction only for the cost of materials, such as paper and ink and, as a result, the number of works donated by artists has dramatically declined. Musicians, scholars, and the public rely on original manuscripts and supporting material to reveal the artistic underpinnings of existing compositions and inspire the creative works of emerging artists. When collected by orchestra archives, music schools, music libraries, or other cultural institutions, original musical works and related materials can be preserved and made available to the public. By allowing artists to take a fair-market value deduction for self-created works given to a nonprofit institution, their works are accessible to the public.

Orchestras are important contributors to American civic life, and nonprofit status and charitable giving to orchestras substantially improves the health, education, and artistic vitality of communities nationwide. The United States relies upon the nonprofit community to provide many public services in fields ranging from public health and education to arts and culture. The various types of charitable organizations that comprise the nonprofit sector do not exist or operate in silos. They are tightly connected through critical local partnerships that
leverage shared resources and strengthen services to the public. The programs and music of America’s orchestras are embraced, supported, and accessed by the public in communities large and small throughout our country. Here are facts about the contributions orchestras make to the public good:

- More than 28,000 performances are given annually by orchestras, many of them specifically dedicated to education or community engagement, for a wide range of young and adult audiences. With the support of private contributions, many of these concerts are made available free of charge, or at reduced prices that provide access to families and attendees from across the economic spectrum.

- Orchestras partner with other community-based nonprofits every day to serve specific community needs. In a national survey, our members identified more than 40 types of programmatic activities that engage community partners, including health and wellness programs, engagement of military families, senior programs, and an extensive array of music education partnerships with schools and in after-school settings.

- Orchestral activity is embedded in the civic life of towns and cities across our country. With nearly 1,600 symphony, chamber, collegiate, and youth orchestras across the country, America is brimming with extraordinary musicians, live concerts, and orchestras as unique as the communities they serve. Thousands of young people embrace the opportunity to perform side-by-side with their peers, and adult professional and community orchestras of all sizes present extraordinary music for their communities.

- Through the power of music, orchestras unite individuals in the unique shared event of a large ensemble performance, and are often a focal point when a community seeks to commemorate an important civic moment. Orchestras are a source of strength and pride, as well as a vehicle for community unification and reflection.

- Orchestras contribute to our nation’s artistic vitality, supporting the creative endeavors of thousands of today’s classical musicians, composers, and conductors, while strengthening, documenting, and contributing to our nation’s diverse cultural identity.

America’s orchestras promote access to the arts, are important participants in education for children and adults, and support jobs and economic growth – all in partnership with other community-based organizations. On behalf of the full range of American orchestras, we urge the Committee to preserve and grow tax incentives for charitable giving and enact policies that strengthen the impact of the nonprofit sector.