

*Private-sector charities are too small to handle the huge number of welfare recipients.*

The charity tax credit would create a dynamic welfare system in which taxpayers assess each charity's record of meeting the needs of the poor. To the extent that taxpayers direct tax dollars to private-sector charities, those organizations would have the funds to grow and meet the needs of more people.

*The wealthy prefer to help those closest to them, so the poor living in the inner cities or other places far from the wealthy would receive very little help.*

Extensive research done on this issue—such as Charles T. Clotfelter's *Who Benefits from the Nonprofit Sector?*—found that there is no evidence that wealthier people give disproportionately to organizations that are closer to or primarily benefit

sector charities seeking to inform people about their missions would reach out to groups such as schools and churches whose membership often encompasses a wide range of incomes.

*Fraud would increase under a decentralized system.*

It's hard to imagine fraud thriving any more than under the old federal-state system. However, we could put safeguards into place. For example, existing IRS regulations governing nonprofit organizations prohibit the misuse of a charitable organization for personal or financial gain—and the charity tax credit would relax none of those restrictions. But the key to eliminating welfare fraud is to give individuals rather than bureaucrats an incentive to police the system by determining which charities provide the best value for their money.

If lifting the poor out of poverty is the goal, then government welfare programs have been a colossal failure. According to the Congressional Research Service, this country has spent more than \$5 trillion on public welfare programs since 1960, yet the poor as a percentage of the total population has slightly increased, to about 15 percent.

It is time to give private-sector charities a chance by giving taxpayers a choice. The charity tax credit would give them the ability to fund those charities they think are doing an effective job.

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## **The tax credit would create a dynamic welfare system in which taxpayers assess each charity's record in meeting the needs of the poor.**

upper-income families. Furthermore, the premise of this criticism is that only wealthy people would get a tax credit. However, since the tax credit would be extended to everyone who pays taxes, many lower and middle-income working families who live near poor communities in need of help would be able to participate. In addition, private-

## **Robert Rector**

### *Let's not endorse a corrupted form of compassion*

**W**hen Marvin Olasky wrote *The Tragedy of American Compassion* (1992), he offered a vital and challenging idea: the traditional wisdom of aiding the poor has been forgotten, for modern charity as practiced by both the government and the private nonprofit philanthropy is permissive and often destroys rather than aids the poor. The difficult task ahead was to recover the lost wisdom of true charity. Since then, conservatives have tended to distort this robust idea into another theme that is more comfortable but false: Government welfare is largely bad and private sector charity is largely good.

This is simply untrue. Although there are a few sound conservative organizations helping the poor, the bulk of nonprofit private charities serving them are more liberal and more permissive than their counterparts in government. Any criticism I have ever written about government welfare applies doubly to nonprofit charity. It is thus the

most retrograde and corrupt part of the welfare system that the advocates of a charity tax credit are proposing to expand.

Peter Barwick suggests a trade-off: Government welfare spending will be reduced and money rechanneled through the tax code to the private nonprofit philanthropy. In reality, it will not work that way. The philanthropies he seeks to subsidize are nearly unanimous in their claim that the United States must spend more on the poor. If a charity tax credit is created, it will not replace government welfare, but will merely be added on top of the vast existing welfare system that already absorbs 5 percent of GNP.

Moreover, public-sector welfare has one important advantage over private charity: Government funds are rarely used to intervene in the political process. Not so for private philanthropy. Indeed, most liberal and moderate charities believe that the noblest deed they can perform on behalf of the poor is to lobby for greater government welfare spending and expanded state power. In a re-

cent hearing in the House of Representatives, the chief lobbyist of Catholic Charities stated that, in the view of her organization, the best charity activity was voter registration!

Barwick does propose a ban on the use of tax-subsidized charity funds for policy advocacy. But this ban is an illusion and has no chance of survival in the long term. Whenever similar charity tax bills have been introduced in Washington, the entire philanthropic industry has been mobilized to remove any ban on advocacy. As a result, most bills like this one deliberately include policy research and advocacy as a "service to the poor" worthy of subsidy.

A ban on commingling private and public funds is similarly nonenforceable. In reality, this proposal would lead to philanthropies using tax-subsidized private funds to aggressively promote expansion of government programs of which they were beneficiaries.

Most of the liberal agenda, from civil rights to environmentalism, is already packaged as service to the poor. Under the tax-credit proposal, those seeking to raise taxes to expand the food-stamp program get a potent tax cut while supporters of a balanced budget do not. Advocates of expanded welfare, Head Start, and a hike in the minimum wage get a tax break not available to advocates of Star Wars and the flat tax. Backers of affirmative action to help disadvantaged groups get a subsidy but opponents of affirmative action do not. Virtually every liberal cause gets a subsidy while conservative ones do not, unless they twist their message severely in order to accommodate a left-leaning ideological litmus test.

The charity tax credit is a liberal fundraiser's dream: a potent tax break available primarily to those who have and advance liberal ideas. It will lead to a tax code that subsidizes liberal speech at

the expense of conservative speech.

If conservatives want to commit suicide, there are surely more direct means available. Why not just create an extra 20 seats in the United States Senate and assign them permanently to the ACLU,

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the NAACP, and the Children's Defense Fund? Enacting Barwick's plan would have the same practical effect.

Barwick says he wants to create a marketplace for charity permitting individuals to choose where their monies go. In fact, he does neither. His proposal is narrow and corrupt because he mimics the core premises of the War on Poverty. His idea of "charity" bows in obeisance to the liberal icons of guilt, victim worship, envy, and indulgence. It is divorced from true benevolence. To mention one example among a thousand: he would subsidize hospice care for the indigent terminally ill, but not donations for medical research to cure diseases. This is a very bad idea.

If we wish to strengthen civil society, reduce government, and combat moral deconstruction, we should consider enhanced tax relief for *all* philanthropic giving, not merely the narrow leftish aid to the "poor" envisioned by Barwick. Such an alternative would foster true benevolence, rather than a stale repeat of the War on Poverty. To the extent speech and advocacy were funded, all ideas would be treated equally and public discourse would not be biased toward the Left.

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## Grace-Marie Arnett

*Granting credits for charitable gifts will make a complex tax code worse*

**W**ho can argue that a tax credit for charitable contributions isn't worthwhile? Of the thousands of twists and turns in federal and state tax codes, one that promotes charitable giving to encourage civil society should be at the top of the list. But there are costs and trade-offs, and it is important that they be visible during the debate.

The advocates of hundreds if not thousands of worthwhile causes can and do make passionate and convincing cases for special tax favors to benefit their constituents. But whenever a social cause is steered through the maze of the tax code, the

donor, the recipient, and the beneficiary are subject to government intrusion to assure compliance. Further, any tax deduction or credit must be assessed with an eye toward its impact on the overall tax rate.

Just looking at the criteria that Peter Barwick has listed for eligibility for a charity tax credit suggests the complexity of the proposal: Under his plan, charities must prove that 75 percent of their budgets go to direct assistance for low-income individuals and that no more than 5 percent of the charities' budget is spent on political activities.

Government bureaucrats would have to write detailed regulations to define what "direct assis-