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NATIONAL COUNCIL ON THE ARTS
RESOLUTION ON PROPOSED TAX CODE CHANGES
(adopted unanimously August 1, 1987)

WHEREAS, in 1965, the National Endowment for the Arts was established as the Federal agency to encourage and support national progress in the arts and to provide a catalyst for increased support of the arts;

WHEREAS, it is a goal of the Endowment to promote the overall financial stability of America's best arts organizations through stimulation of increased non-Federal contributions to them;

WHEREAS, Federal funding for the arts, while an important and necessary aspect of support for the arts, plays a secondary role to support from private sources, and therefore the Declaration of Purpose of the National Foundation on the Arts and the Humanities Act (as amended) creating the Endowment stipulates that: "the encouragement and support of national progress and scholarship in the humanities and the arts, while primarily a matter for private and local initiative, is also an appropriate matter of concern to the Federal Government;"

WHEREAS, certain options to increase revenues are under consideration by the staff of the Joint Committee on Taxation and the staff of the Committee on Ways and Means, including a proposed excise tax on the net investment income of exempt organizations and proposed changes in the charitable deduction for taxpayers who itemize;

WHEREAS, an excise tax of 5% on net investment income, including interest and dividends, of organizations that are exempt from Federal income tax would have severe negative impact on the financial stability of many of the nation's finest arts institutions;
WHEREAS, (i) making charitable deductions for itemizers deductible only at the 15 percent tax rate notwithstanding the marginal rate of the taxpayer (under current law, the highest rate is 38.5%); (ii) placing a floor under aggregate itemized deductions (including charitable deductions) for higher income taxpayers; and (iii) reducing individual and corporate tax preferences would significantly reduce the incentives for philanthropy and philanthropy itself;

WHEREAS, enactment of these proposed tax law changes would further complicate the tax structure recently enacted in the Tax Reform Act of 1986 and have the effect of discouraging individual charitable donations at a time when non-profit arts organizations are increasingly in need of attracting private funding to meet their operating budgets;

WHEREAS, America's arts organizations are principally responsible for creating, producing, presenting, exhibiting, disseminating and conserving the quality and variety of art which is at the core of American civilization so that it might be made more available to the American people;

WHEREAS, many of our best arts organizations are severely undercapitalized, and therefore need to establish or build endowment funds to enhance their financial stability;

WHEREAS, in furtherance of this goal, and with Congressionally appropriated funds and based on the advice of this Council, the Endowment has since 1983 stimulated and assisted through expenditure of $51.5 million in Challenge funds the establishment and enhancement of endowments for these institutions;

WHEREAS, smaller, newer or less developed arts organizations face similar challenges, particularly those organizations which serve minority, rural, tribal, or inner-city populations;

WHEREAS, the Congress has reaffirmed since 1913 the importance of encouraging through tax incentives voluntary activity in the public interest and such activity reduces the need for increased direct Federal appropriations and increases freedom of choice among these activities;
NOW THEREFORE BE IT RESOLVED this 1st day of August 1967 that the National Council on the Arts opposes the proposed changes (cited above) affecting donations to and the income of non-profit arts organizations and urges that they be rejected, because they would significantly impede private support of the arts, and impose serious financial burdens on such arts organizations. These changes include a proposed excise tax on investment income of tax exempt organizations and proposed limitations on charitable deductions for non-itemizers.

NATIONAL COUNCIL ON THE ARTS

The above resolution was adopted unanimously by the National Council on the Arts, August 1, 1967.

Frank Hodsoll
Chairman

MEMBERS OF THE NATIONAL COUNCIL ON THE ARTS

David Baker
Composer/Teacher
Chair, Jazz Department
Indiana University
School of Music

Phyllis Berney
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Sally Brayley Bliss
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Museum of Art
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Novelist

Joseph Epstein
Writer/Teacher
Editor, The American Scholar

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Robert Garfias
Dean of Fine Arts
University of California, Irvine
Margaret Hillis
Director,
Chicago Symphony Chorus

Celeste Holm
Actress

Robert Johnson
Chairman,
Florida Arts Council
State Senator

M. Ray Kingston
Architect
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Utah Arts Council

Ardis Krainik
General Manager,
Lyric Opera of Chicago

Raymond Leary
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of American Art

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Samuel Lipman
Music Critic
Publisher, *The New Criterion*

Talbot MacCarthy
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Center of Greater St. Louis

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