A growing number of New Jersey homeowners are leaving the state, affecting donations to charities.

By Hans Dekker/Star-Ledger Guest Columnist

A recent study by the Boston College Center on Wealth and Philanthropy reported that between 2004-2008, New Jersey lost almost $1 billion in expected charitable giving as a result of a significant decline in the amount of wealth moving into the state and an increase in the amount of wealth leaving.

This is in contrast to the five years prior to 2004, when New Jersey gained $1 billion in typical charitable giving as a result of migration into the state. Taken together, this decline represents a loss of $400 million per year in charitable giving in New Jersey.

These dollars represent real families. From 2004 through 2008, more than 10,000 households that would typically give $50,000 or more to charity per year left New Jersey. At the same time, only 1,000 households of the same means and philanthropic ethic moved in.

These are scary numbers for our nonprofit community. Individuals are responsible for over 80 percent of the charitable giving in our state, while foundations and corporations are responsible for less than 15 percent of the total amount. It is during this economic recession, when our charitable organizations need to help a growing number of people with basic needs like food, shelter, and clothing, that we most need
Take the case of Homeless Solutions, Inc., in Morristown. This nonprofit organization provides shelter and transitional and permanent housing for the region’s homeless or low- to moderate-income families. In the past 10 years it has helped thousands of working families transition from homelessness to stable housing. These success stories cause a positive ripple effect that touches countless people and businesses.

Unfortunately, past success is no guarantee for future success, especially when gifts are declining. Homeless Solutions president Betsey Hall worries because, as she says, "Over the last five years, we have seen many of our major donors move out of state. These are folks who not only gave generously, but also helped build Homeless Solutions into the successful organization it is today."

Betsey’s example is not unlike that at other nonprofits throughout our state. That is why the Community Foundation of New Jersey, along with the New Jersey State Chamber of Commerce, engaged the Center to conduct this study. The study examined the movement of wealth rather than just income, because wealthy households are responsible for the majority of charitable giving in our state. Indeed, families that make charitable gifts through donor-advised funds at the Community Foundation gave over $23 million to charities in 2009.

In addition to their charitable giving, wealthy households — while a relatively small proportion of the population — play a valuable role as members of our civic and nonprofit community by serving as volunteers, trustees, and as role models for charitable giving for younger generations.

New Jersey should aspire to be the most charitable state in the nation. Much of the rich fabric that makes our state such a wonderful place to live depends on charitable organizations to support our hospitals, to provide arts and cultural opportunities, and to help those less fortunate live in one of the most expensive states in the nation. In order to achieve this, we need to examine the state’s policies to see if they encourage charitable giving and if they provide the incentives to attract and retain wealth and the charitable giving that comes with it.

Any serious discussion on this problem and its solution must, therefore, include a careful look at those elements of New Jersey’s tax structure that impact charitable giving. This includes the lack of a state tax deduction for charitable giving, an estate tax exemption that begins taxing a family’s life savings at $675,000, and our income tax rates including the "millionaire’s tax." As one attorney explains, "the income tax raises the issue of leaving the state and the estate tax seals the deal."

As our elected leaders begin the debate on this important public policy, they must factor in the impact on charity. We encourage our public officials to recognize and reflect on the nonprofit organizations serving the residents of their respective districts. Keeping our wealthy citizens in New Jersey is important to the future of these nonprofits and the quality of life of those they serve.

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