

Charitable Deduction

MAKE THE CHARITABLE DEDUCTION AVAILABLE TO ALL

We urge congress to make the charitable deduction available to all taxpayers, regardless of their tax rate or whether they itemize, to incentivize and recognize the giving of all Americans.

Rationale

The charitable deduction encourages charitable giving, benefiting communities across the country. Under the current law, a donor who itemizes can take a deduction on his or her charitable gift at the same percentage as his or her tax rate. In H.R. 1, the *Tax Cuts and Jobs Act* tax reform legislation, the charitable deduction is preserved in its current form, but the standard deduction for individuals and families has been doubled.

We are concerned this would have a devastating impact on Indiana charities and the communities they support.

While the bill does not eliminate the charitable deduction, millions of individuals and couples will no longer be able to access the deduction because it will only be available to wealthier taxpayers who will continue to itemize their tax returns. A recent study conducted by the Indiana University Lilly School of Philanthropy found that proposed tax reforms could decrease charitable giving by \$13.1 billion.

Despite an improved economy, many Hoosiers continue to struggle with every day needs in their life. A reduction in charitable giving could significantly reduce services and the quality of life for Indiana residents. This problem could be solved by allowing a universal charitable deduction that would allow all taxpayers to claim the charitable deduction. This could increase giving by \$4 billion a year.

Charitable Deduction continued

Universal Charitable Deduction Act of 2017

The Universal Charitable Deduction Act of 2017 (HR 3988) was introduced by Mark Walker (R-NC) in October 2017. The bill would establish a universal charitable deduction for individuals and married couples who do not itemize, in addition to the standard deduction. The tax deduction would be an above-the-line deduction up to one-third of the standard deduction—about \$2,100 for individuals and \$4,200 for married couples. Under current law, taxpayers who itemize their deductions receive a tax incentive for contributions made to qualified charitable organizations, but non-itemizers do not. HR 3988 has been referred to the Committee on Ways and Means.

Charitable deduction facts

- Americans gave \$390.05 billion in 2016, according to Giving USA.
- Taxpayers who receive a deduction for their contribution give more to charities than those that do not receive a deduction, regardless of income level.
- Proposed changes to the tax code would reduce giving by \$14-\$27 billion, according to studies from the Tax Policy Center and American Enterprise Institute, among others.
- A 2017 poll found that 75% of voters support expanding the charitable deduction to all taxpayers
- A 2017 study found that making the charitable deduction available to all taxpayers could increase annual giving up to \$4.8 billion.

With last year representing the 100th anniversary of the charitable deduction, we urge you not to reduce the value of America's long-standing giving tradition!

Sources

Tax Policy Center, American Enterprise Institute, Charitable Giving Coalition, Giving USA