



PROTECT & EXPAND THE CHARITABLE DEDUCTION

Independent Sector urges Congress to reject proposals to limit the value of deductions for charitable donations. Support policies to encourage all individuals, regardless of income, to give more to charity.

Sources:

Independent Sector, Giving USA Report; IRS; Network for Good; American Enterprise Institute; Tax Policy Center; Indiana University

Background

For nearly a century, since the Revenue Act of 1917 first created the charitable income tax deduction, our nation's tax system has strongly encouraged Americans to give back to their communities by providing tax deductions for contributions to charitable organizations.

These policies fueled a strong tradition of giving that strengthened our educational system, broadened access to health and human services, fostered an appreciation for our history and cultural heritage, advanced scientific and medical research, and supported other programs vital to the health of our nation and communities around the world.

The Charitable Deduction Is Fair

Unlike other tax incentives, the charitable deduction encourages behavior for which taxpayers receive no personal tangible benefit. This deduction is a means of enriching communities, rather than individual taxpayers. Expanding the deduction to all taxpayers makes the tax code more equitable.

The Charitable Deduction Enjoys Broad Support

Eighty-five percent of American voters support protecting the charitable deduction, and 75 percent of voters support expanding the charitable deduction to all taxpayers. Eighty-eight percent of American voters believe that we should make it easier for people to deduct charitable contributions from their taxes.

The Charitable Deduction Is a Powerful Incentive to Give

While Americans give to charitable organizations for many reasons, studies have shown that tax policy greatly shapes the size and number of charitable donations made by taxpayers.

- Itemizing households accounted for 82 percent of the \$282 billion in charitable donations by individuals in 2016.
- The power of the incentive can be seen in the timing of charitable giving, with more than 11 percent of annual online charitable donations made on December 29-31.
- Tax reform proposals to expand the standard deduction combined with proposals to reduce the top tax rate to 35 percent results an annual loss of \$13 billion in charitable gifts to communities.
- Expanding the charitable deduction to all taxpayers would recoup the \$13 billion in giving lost due to other tax proposals, plus generate an additional \$5 billion in new donations to charitable organizations.