



## EXPAND THE CHARITABLE DEDUCTION

Independent Sector urges Congress:

- Enact a charitable deduction that is available to all taxpayers, regardless of whether they itemize their tax return.
- Support other policies that encourage more individuals to give more to charity.

Sources:  
Independent Sector, Giving USA Report;  
IRS; Fundraising Effectiveness Project;  
Network for Good; American Enterprise  
Institute; Tax Policy Center; Indiana

### Background

For over a century, our nation's tax system has 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 educated generations, cured diseases, secured voting rights for all Americans, preserved history and cultural heritage, and promoted the health of our nation and communities around the world.

### Giving Incentives Are Effective

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.

### Culture of Giving is At Risk

Unfortunately, America's unique culture of giving is at risk:

- Over 15 years, the share of Americans donating to charity dropped 11 percentage points. Without tax incentives, this alarming trend will accelerate.
- Although it retained the charitable deduction, the 2017 tax bill made other structural changes to the tax code that eliminate this incentive to give for 27 million taxpayers.
- The American Enterprise Institute (AEI) estimates a \$17 billion annual decline in giving due to the 2017 tax bill.
- The first quarter of 2018 showed a six percent decline in the number of donors and a two percent decline in the amount given.

### Americans Want to Expand the Charitable Deduction

Seventy-eight percent of voters support expanding the charitable deduction to all taxpayers.

In separate studies, AEI and Indiana University found that expanding the charitable deduction to all taxpayers could increase charitable donations by over \$4 billion per year. Representatives Chris Smith (R-NJ) and Henry Cuellar (D-TX) have introduced legislation (H.R. 5771) that would accomplish this goal.

### Encouraging All Taxpayers to Give is Fair

Unlike other tax incentives, the charitable deduction encourages behavior for which taxpayers receive no tangible benefit. This deduction enriches communities, not individual taxpayers. Expanding the deduction to all taxpayers makes the tax code more fair and equitable.