



## **Provide Charitable Giving Incentives For All Taxpayers**

**Urge Congress to extend giving incentives in the Federal tax code to all taxpayers by providing a “universal” or “above-the line” charitable deduction. Support the H.R. 1260 and H.R. 651, the Universal Deduction for Charitable Giving and the Charitable Giving Tax Deduction Act respectively.**

**Background:** For over 100 years the Federal income tax code has contained a charitable contribution deduction which has fostered private philanthropy—an indispensable source of funding for charities that provide vital and viable alternatives to direct government programs. Unlike other income tax provisions, the charitable deduction is unique in that it promotes behavior that provides no direct benefit to the donor. Tax policy should encourage charitable giving, especially during times of economic recovery and when the resources of America’s charities are under great stress. However, changes in the 2017 tax legislation severely restrict those who will itemize their deductions and benefit from the charitable deduction.

**2017 Tax Law and Charitable Giving:** For several years, the scope and value of the charitable contribution deduction was at risk during the debate over fundamental tax reform. The 2017 Tax Cuts and Jobs Act (TCJA) contains a number of provisions, which together, greatly reduce the number of taxpayers who itemize deductions (from 30 percent to approximately 8 percent) effectively removing the charitable contribution tax incentive for the overwhelming majority of taxpayers.

It is beyond dispute that a dramatic decrease in the number of taxpayers who claim the charitable contribution deduction tax incentive, combined with a decrease in individual income tax rates, will have a profound impact on dollars given to charities. According to recent IRS statistics, itemized deductions for charitable contributions **fell by \$54 billion** on current 2018 tax returns. Findings from research conducted by the Indiana University Lily Family School of Philanthropy in partnership with Independent Sector conclude that overall giving will **decrease by over \$13 billion (almost 5 percent of total giving)**. Furthermore, recent studies have also shown that the total number of donors dropped by 4.5 percent between 2017 and 2018. Studies by the Congressional Budget Office also confirm that limits on the number of itemizers will result in a significant decrease in charitable giving.

**Congress should act now:** JFNA believes that Congress needs to take good tax policy---encouraging Americans to give to charity through an income tax incentive---and make it better. The solution: expand and enhance charitable giving incentives by providing a “universal deduction” for taxpayers who do not itemize. Regardless of income level, all taxpayers should receive a tax incentive if they give to charity. ***We urge Congress to pass H.R. 1260 and H.R. 651, the Universal Deduction for Charitable Giving and the Charitable Giving Tax Deduction Act, respectively.*** Both bills would allow non-itemizing tax payers to deduct their charitable gifts, correcting the negative impact of the TCJA. A universal (or “above-the-line”) deduction would increase giving, in terms of both dollars and donors, increase fairness by incentivizing all

taxpayers' contributions, and provide modest tax relief to middle-and lower-income taxpayers. More importantly, dollars flowing to America's charities would increase. According to the Indiana University-Independent Sector study noted earlier, an "above-the-line" deduction for all would not only erase the \$13 billion deficit noted above but would result in additional charitable giving of almost **\$5 billion annually**.

**Support Expanded Charitable Contribution Deduction:** There are a number of tax policy arguments which support this recommendation, including:

- Virtually every deficit reduction and tax reform study confirms that incentives for charitable giving must remain an essential component of the tax code. For example, both the Bowles-Simpson National Commission on Fiscal Responsibility and Reform and the Bipartisan Policy Center deficit panel conclude that charitable giving incentives must be retained. Past tax reform background documents note that "charitable organizations depend on the goodwill of the American people" [and there is a need to] "further encourage charitable giving in several important ways...Americans are a generous people who want to help their neighbors in need. For this reason, this Blueprint encourages charitable giving through a tax incentive."
- Charities step in to fill the gap where the government and the private sector are unable to provide adequate services or support. After natural disasters Congress often provides additional tax incentives for individuals to make charitable donations. Rather than accept the changes enacted in 2017 that limit incentives for charitable giving, JFNA urges Congress to consider **providing additional tax incentives** to boost contributions to America's charities.
- The charitable deduction should be viewed as a government subsidy for civil society where the "cost" of contributions to help the vulnerable is underwritten by foregone government tax revenues. Alternatively, some see the charitable deduction as a necessary adjustment to ensure that an individual's funds selflessly given to others are not subject to income tax. Under either theory, the economic return based on the good works paid for with charitable funds greatly outweighs the loss to the federal fisc. A calculation of the deduction indicates that for every \$1 dollar in tax deductions claimed by an individual, \$2.50 flows to a charity to fund their programs. This conclusion again argues for a "universal" charitable deduction.

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*The Jewish Federations of North America represents 146 Jewish Federations and over 300 Network communities, which raise and distribute more than \$3 billion annually for social welfare, social services and educational needs. The Federation movement, collectively among the top 10 charities on the continent, protects and enhances the well-being of Jews worldwide through the values of Tikkun Olam (repairing the world), Tzedakah (charity and social justice) and Torah (Jewish learning).*