



October 8, 2024

The Honorable Jason Smith
Chairman
U.S. House Committee on Ways and Means
1139 Longworth House Office Building
Washington, DC 20515

Dear Chairman Smith,

The Charitable Giving Coalition (CGC) appreciates the opportunity to provide comments to you and your colleagues as you prepare to consider tax reform legislation in 2025. Given charitable giving and the impact of the charitable deduction overlaps the jurisdiction of several of the tax teams you've assembled, the CGC is addressing our overall comments to you. Additionally, given the charitable tax deduction's century long history of bipartisan support, we are also sharing a copy of comments to your counterpart, Ranking Member Richard Neal.

The CGC strongly urges Congress to increase charitable giving in the U.S. by permanently restoring a charitable deduction for non-itemizers in a final 2025 tax reform package.

The doubling of the standard deduction, a policy designed to simplify tax filing for most Americans, has had the unintended consequence of leading to a permanent reduction in charitable giving by American households who no longer itemize. According to the American Enterprise Institute, the change in TCJA meant a reduction of \$252 billion in itemized charitable contributions between 2018 and 2021.ⁱ

Since 1917, when the tax deduction for charitable giving was first enacted to enable charities to survive during World War I, individuals in the United States have a unique history of being encouraged to support any qualified charity of their choice as long as they itemized their taxes. In our comments, we will discuss how the charitable deduction is good tax policy, the impact of the TCJA on charitable giving, how the temporary charitable deduction for non-itemizers enacted by Congress in 2020 and 2021 was effective in incentivizing new donations and donors, and the negative impact on giving since that temporary provision expired.

CGC asks Congress to support a proven solution as you consider tax reform and extending or modifying aspects of the TCJA. Permanently enacting the bipartisan Charitable Act (H.R. 3435/S. 566), legislation that would restore a charitable deduction for all American taxpayers, would build on the success of the 2020-2021 temporary charitable deduction for non-itemizers by

incentivizing generous Americans to give even more to charities of all types and sizes. And it would make access to a charitable-giving incentive more democratic, providing the same support for lower- and middle-income Americans to give more to charity that the tax code currently provides only to the more affluent.

Most importantly, the Charitable Act will incentivize all Americans, regardless of income, to give more to support local soup kitchens, homeless and domestic abuse shelters, disaster relief organizations, schools, cultural organizations, and religious congregations and ministries—among innumerable other crucial charities.

The Charitable Giving Coalition (CGC)

Formed in 2009, the Charitable Giving Coalition is dedicated to preserving the charitable giving incentive that ensures that our nation’s charities receive the funds necessary to fulfill their essential philanthropic missions. The CGC represents the vast breadth and diversity of America’s charitable sector. This includes public charities and private and community foundations, faith communities and other faith-based charities, and the full spectrum of nonprofit organizations and the networks serving them.ⁱⁱ The coalition provides a unique and unified voice on Capitol Hill on issues affecting the charitable deduction.

The CGC raises awareness in and around Congress and the Administration of legislative proposals likely to strengthen or hamper charitable giving. The CGC helps ensure Congress is aware of new giving data and developments in the charitable sector, provides expert insights and analysis, and helps identify researchers and experts who can shed additional light on charitable giving and the nonprofit sector.

Charitable Organizations Are Vital to Communities and Nation

Americans of all backgrounds currently lead and operate more than 1.7 million U.S. nonprofits.ⁱⁱⁱ These organizations “provide a significant portion of the nation’s health care, higher education, environmental stewardship, human services, religious services, arts and culture, and other vital services essential to flourishing communities.”^{iv} They offer members of their communities of all races, genders, ages, religions, incomes, and other circumstances vital goods and services that governments and the rest of the private sector do not or cannot provide.^v

Charitable organizations contribute to our communities and nation as employers and economic producers. Illustrating this, nonprofits contributed 5.4 percent of U.S. GDP in Q3 of 2023^{vi} and, according to the U.S. Bureau of Labor Statistics, employed 9.9 percent of the private U.S. workforce in 2022.^{vii} The latter figure represents a total of 12.8 million American jobs.^{viii} Often,

these are jobs in socioeconomically disadvantaged communities that otherwise would not exist— jobs that help members of such communities overcome poverty and other major life challenges.^{ix}

In addition to the economic impact of the charitable sector, Hurricane Helene is a reminder that as large disasters like hurricanes, floods and wildfires are becoming more frequent and intense, the philanthropic and charitable sector are helping to provide food, shelter, relief supplies, emotional comfort, health services, financial assistance, and other support to help people in their time of greatest need. For disasters big and small, community volunteers provide comfort during what can be the worst days of people’s lives.

In response to steep declines in the number of U.S. donors and volunteers, The Generosity Commission, a nonpartisan, blue-ribbon panel of charitable sector leaders, spent 3+ years studying the key factors influencing giving and volunteerism behaviors. In its final report released in September 2024, the commission stated a “broad base of participation in giving and volunteering is itself a social good that should be pursued and promoted.” Further:

The more individuals who give and volunteer and the wider and more diverse the base of giving and volunteering, the greater and deeper will be [our nation’s] pluralism, so that American civil society will reflect a broad range of organizations, viewpoints, interests, and perspectives. Our communities are stronger, our cities, states, and country are stronger, when individuals harness their divergent interest, commitments, and beliefs ... toward their understanding of the public good.^x

The Charitable Deduction is Good Tax Policy

For more than a century, the charitable tax deduction has encouraged Americans to give more of their income to the public good, devoting it to their community’s needs rather than their own. An analysis by the Philanthropy Roundtable finds that for every \$1 increase in the tax benefit, charitable donations rise by a statistically significant \$1.30.^{xi} These donations provide vital resources to charities serving those in need and supporting communities as a necessary partner with the public sector.

However, fewer Americans now have access to the charitable deduction than at any time in its history. Currently, taxpayers must itemize to deduct their charitable donations. The percentage of American taxpayers who itemize has fallen from an average of 30 percent in 2017 to an average of 7.5 percent in the years that followed.^{xii}

Continued Decline in Donors and Impact of Doubling Standard Deduction

As the most charitable nation in the world, generous Americans give billions of dollars to support the charitable sector every year. In 2023, Americans gave \$557 billion to charity.^{xiii} However, there has been a troubling long-term decline in the number of Americans who give to charity.

According to Indiana University's Lilly Family School of Philanthropy, 49.6 percent or less than half, of American households, gave to charity in 2018. That is a dramatic decline from the 66.2 percent of households who donated to charity in 2000 and represents a loss of approximately one percentage point a year.^{xiv}

This decline in the number of donors persists. Data from the Association of Fundraising Professionals' Fundraising Effectiveness Project (FEP) raises similar concerns. Between 2012 and 2023, FEP found that the total number of donors declined by 16 percent. Additionally, FEP found a 2.8 percent year over year decline in total dollars given in 2023. Further, the number of donors declined an additional 3.4 percent.^{xv}

The doubling of the standard deduction, a policy designed to simplify tax filing for most Americans, has had the unintended consequence of leading to a permanent reduction in charitable giving by American households who no longer itemize. New research from the American Enterprise Institute (AEI) shows that total itemized charitable deductions would have been \$80 billion higher in 2021 if the share of adjusted gross income (AGI) remained at the average 2010-2017 levels.^{xvi}

AEI also expressed concern that only the most affluent taxpayers who continue to itemize their deductions retain a tax incentive to give to charity. They found that the decline in itemized charitable giving as a share of income was much greater among the middle- and upper-middle-class than among those in the wealthiest tax brackets.^{xvii}

In addition to AEI, researchers at Indiana University and the University of Notre Dame found that the doubling of the standard deduction led to a \$20 billion decline in charitable giving in 2018 and a \$16 billion permanent annual drop in charitable giving. They also found that most of the decrease in giving was to organizations whose primary focus is helping people in need of basic necessities.^{xviii}

Fortunately, there is a proven policy solution that would allow taxpayers to deduct charitable donations while also enjoying the benefits of taking the standard deduction.

The Temporary Charitable Deduction for Non-itemizers Was Effective

In 2020 and 2021, the CGC and its members successfully worked with Congress to enact a modest temporary charitable deduction for non-itemizers to help spur giving during the pandemic. The deduction was capped at \$300 for both individuals and joint filers in 2020. For joint filers, the cap was doubled for 2021 to \$600. The provision expired on December 31, 2021.

The temporary charitable deduction for non-itemizers helped increase giving, particularly through a significant increase in small gifts. In 2020, 42 million taxpayers used the temporary universal charitable deduction to give \$10.9 billion to charities. A quarter of Americans taking that \$300 deduction made less than \$30,000.^{xix}

The FEP found an average 7.5 percent increase in individual gifts of \$300 in both 2020 and 2021 as compared to 2019 levels. FEP data also shows a 28 percent increase in gifts of exactly \$300 on December 31, 2020, a clear indication that the temporary deduction incentivized these donations.^{xx}

Additionally, AEI found that the temporary charitable deduction for non-itemizers in 2020 and 2021 added 6 percent to total donations eligible for a deduction during that same period.^{xxi}

Unfortunately, the expiration of the charitable deduction for non-itemizers had a negative impact on giving. FEP data also shows that while the number of small donations went up in 2020 and 2021 after Congress enacted a non-itemizer charitable deduction for those two years, the number of small-gift donors declined dramatically in 2022 after the temporary non-itemizer deduction was not renewed.^{xxii} Specifically, the Q4 2023 FEP report noted from 2022 to 2023 there was a 2.8 percent drop in dollars, a 3.4 percent drop in donors, and a 2.5 percent decrease in donor retention. The report noted that donors contributing less than \$500 were responsible for 79.3 percent of the overall decrease in donors.^{xxiii}

Charitable Giving Is Declining

According to the most recent Giving USA data, overall charitable giving in 2023 declined by an inflation-adjusted 2.1 percent as compared with 2022. This 2023 decline is alarming for it is the second consecutive year charitable giving failed to keep pace with inflation. A year earlier, Giving USA reported that overall giving in 2022 had dropped year over year by an inflation-adjusted 10.5 percent.^{xxiv}

Giving by individuals constitutes approximately two thirds of total giving. In 2023, it declined by 2.4 percent in inflation-adjusted dollars. This was the largest drop among GivingUSA's four categories of sources of giving.^{xxv} Giving by individuals also suffered the greatest

inflation-adjusted drop among the same four categories in 2022, declining by an astonishing 13.4 percent.^{xxvi}

These declines occurred even though, as compared with 2022, almost every economic indicator was stronger in 2023. U.S. gross domestic product (GDP) grew by 6.3 percent, the S&P 500 reached record highs, and the inflation rate declined significantly. Nevertheless, charitable giving failed even to keep pace with the lower inflation rate.

FEP data raises similar concerns. FEP found that while giving was up 4.1 percent in Q1 of 2024 compared to the same quarter in 2023, there was a 1.3 percent decline in the number of donors. The overall decline was led by decreases in donors contributing less than \$100.^{xxvii}

This data reinforces growing concerns that lower- and middle-income individual donors are disappearing from the U.S. charitable landscape. These are the same everyday givers who have long provided the financial lifeblood to untold thousands of charities serving those in need.

A Proven Solution

As the data from 2020 and 2021 help demonstrate, Congress can take a major step to strengthen giving and protect America's culture of generosity by including a charitable deduction for non-itemizers in its final 2025 tax reform package. Such a proposal will help incentivize all taxpayers—not merely the wealthy who are more likely to itemize—to become givers and incentivize and enable those who already donate to give more. It will also mean more dollars to charities providing vital services to families and communities.

The Charitable Giving Coalition strongly supports the bipartisan Charitable Act (H.R. 3435/S. 566), legislation that would restore a charitable deduction for all American taxpayers. The bill would allow non-itemizing taxpayers to deduct up to one third of the current standard deduction in charitable gifts annually. The Charitable Act would build on the success of the temporary charitable deduction for non-itemizers by incentivizing generous Americans to give even more to charities of all types and sizes. And it would make access to a charitable-giving incentive more democratic, providing the same support for lower- and middle-income Americans to give more to charity that the tax code currently provides only to the more affluent.

The Charitable Act has strong bipartisan support in both chambers of Congress. H.R. 3435 is sponsored by House Ways and Means Committee Members Blake Moore (R-UT), Danny Davis (D-IL), and Michelle Steel (R-CA) as well as Representative Chris Pappas (D-NH). The bill has a total of 64 official cosponsors equally divided between Republicans and Democrats. A total of 14 Ways and Means Committee Members are Charitable Act cosponsors.

The identical companion bill in the Senate is sponsored by Senators James Lankford (R-OK) and Chris Coons (D-DE). S. 566 has a broad list of 24 cosponsors, also split equally between Republicans and Democrats.

A wide cross-section of the charitable community supports the Charitable Act. For example, a highly diverse array of more than 1,000 charities from all 50 states and the District of Columbia has recently expressed support for the legislation.^{xxviii} Further, the Generosity Commission made increasing the availability of the charitable deduction its primary policy recommendation for reversing the rapid decline in the number of American households participating in civil society by volunteering and giving.^{xxix}

Congress has a tremendous opportunity to help boost giving, reverse the decline in donors, and support the charitable organizations that are the backbone of our communities. The CGC strongly encourages your Tax Team to recommend, and the Ways and Means Committee to support inclusion of a permanent charitable deduction for non-itemizers in the final 2025 tax reform package.

Thank you for this opportunity to share our comments and for your commitment to a strong and vibrant charitable sector. The CGC stands ready to assist the full Committee as you consider tax reform.

Sincerely,

Brian Flahaven
Chair
Charitable Giving Coalition

Cc: The Honorable Richard Neal, Ranking Member, House Committee on Ways and Means

On behalf of:

National Organizations:

State and Local Organizations:

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- ⁱ Howard Husock & Edmund J. McMahon, How the 2017 Tax Law Made Itemized Charitable Giving a Luxury Good, American Enterprise Institute (AEI), July 23, 2024, at 2, <https://www.aei.org/wp-content/uploads/2024/07/How-the-2017-Tax-Law-Made-Itemized-Charitable-Giving-a-Luxury-Good.pdf> [hereinafter AEI Report].
- ⁱⁱ See <https://charitablegivingcoalition.org/members/>. Among many others, Charitable Giving Coalition members include the American Council on Education, American Institute for Cancer Research, Association of Fundraising Professionals, Catholic Charities USA, Council on Foundations, Independent Sector, Jewish Federations of North America, Salvation Army, United Philanthropy Forum, and United Way Worldwide.
- ⁱⁱⁱ Everyday Actions, Extraordinary Potential: The Power of Giving and Volunteering, The Generosity Commission, Sep. 2024, at 24, https://www.thegenerositycommission.org/wp-content/uploads/2024/09/DIGITAL_TGC_FullReport_090324_NEW.pdf [hereinafter Generosity Commission Report].
- ^{iv} Health of the U.S. Nonprofit Sector: Annual Review, Independent Sector, Nov. 2023, table of contents page, <https://independentsector.org/wp-content/uploads/2023/11/2023-Health-of-the-U.S.-Nonprofit-Sector-Annual-Review.pdf>.
- ^v Generosity Commission Report at 11.
- ^{vi} Health of the U.S. Nonprofit Sector: A Quarterly Review, Independent Sector, Jan. 2024, fig. 2 at 1, https://independentsector.org/wp-content/uploads/2024/01/Health-of-the-US-Nonprofit-Sector_Quarterly-Review_Jan-2024.pdf.
- ^{vii} “Highlights of the 2018-2022 data on the nonprofit sector,” Nonprofit Sector Research Division, Business Employment Dynamics, U.S. Bureau of Labor Statistics, <https://www.bls.gov/bdm/nonprofits/nonprofits.htm>.
- ^{viii} *Id.*
- ^{ix} Health of the U.S. Nonprofit Sector: Annual Review, Nov. 2023, fig. 11 at 6.
- ^x Generosity Commission Report at 22.
- ^{xi} [How Tax Policy Affects Charitable Giving \(philanthropyroundtable.org\)](https://philanthropyroundtable.org/).
- ^{xii} AEI Report at 1-2.
- ^{xiii} https://philanthropy.indianapolis.iu.edu/news-events/news/_news/2024/giving-usa-us-charitable-giving-totaled-557.16-billion-in-2023.html.
- ^{xiv} <https://scholarworks.indianapolis.iu.edu/server/api/core/bitstreams/f5f188c8-285e-4ddd-ab10-6da930d82c6f/content>
- ^{xv} Year-End Challenges in Q4 2023 as Fundraising Metrics Decline, Association of Fundraising Professionals, Apr. 7, 2024, <https://afpglobal.org/news/year-end-challenges-q4-2023-fundraising-metrics-decline>.
- ^{xvi} AEI Report at 2.
- ^{xvii} *Id.*
- ^{xviii} https://www.nber.org/system/files/working_papers/w32737/w32737.pdf.
- ^{xix} <https://www.irs.gov/pub/irs-soi/soi-a-inpr-id2201.pdf>.
- ^{xx} <https://afpglobal.org/fundraising-effectiveness-project-giving-increases-significantly-2020-even-donor-retention-rates>.
- ^{xxi} AEI Report at 5.
- ^{xxii} <https://afpglobal.org/sites/default/files/attachments/generic/FEP%20Q4%202022%20Final.pdf>.
- ^{xxiii} <https://afpglobal.org/news/year-end-challenges-q4-2023-fundraising-metrics-decline#:~:text=FEP%20Q4%202023%20Report%20Key,trend%20that%20began%20in%202021>.
- ^{xxiv} U.S. charitable giving totaled \$557.16 billion in 2023: Giving reached a high in current dollars but did not outpace inflation, GivingUSA, June 25, 2024, <https://givingusa.org/giving-usa-u-s-charitable-giving-totaled-557-16-billion-in-2023/>.
- ^{xxv} *Id.*
- ^{xxvi} https://philanthropy.indianapolis.iu.edu/news-events/news/_news/2023/giving-usa-total-us-charitable-giving-declined-in-2022-to-49933-billion-following-two-years-of-record-generosity.html.

xxvii <https://acrobat.adobe.com/id/urn:aaid:sc:AP:cb49ffde-0980-403b-9237-702b44331c9e>.

xxviii <https://charitablegivingcoalition.org/wp-content/uploads/2023/11/CGC-Giving-Tuesday-Letter-in-Support-of-Charitable-Act-.pdf>.

xxix Generosity Commission Report at 67, 87-88.