

## Restoring and Improving Charitable Giving Incentives

At this stage in the pandemic, charitable nonprofits are experiencing increased demand for services that outpace available funding. Greater incentives for charitable giving are needed more than ever as nonprofits respond to the health and economic crises, and they will be critical in the future as nonprofits play an essential role in recovery efforts.

**The Challenge:** Although the pandemic continues, three disaster relief charitable giving incentives (a universal charitable deduction, the removal of a cap on giving for individuals, and an increased charitable giving incentive for corporations) were allowed to expire at the end of 2021. They must be restored now, when the donations can do the most good.

**The Charitable Deduction is Good Tax Policy:** A universal charitable deduction (UCD) encourages individuals to *give away* more of their income, devoting it to their community's needs rather than their own. In March 2020, Congress enacted a \$300 charitable deduction for cash gifts from nonitemizers for 2020. In December that year, Congress extended the deduction through 2021 and increased the cap to \$600 for joint filers.

**Charitable Giving Increased After Enactment of Temporary Universal Charitable Deduction.** Data show that the UCD works. The IRS reported in June that 42.5 million households took advantage of the UCD in 2020, generating \$10.9 billion in charitable giving that year.<sup>i</sup> Nearly a quarter of those donations came from taxpayers with adjusted gross income of less than \$30,000. Conversely, a recent American Enterprise Institute analysis found that the 2017 tax law did not generate greater charitable giving among upper-income taxpayers as promised; in fact, charitable giving went down after its enactment.<sup>ii</sup>

**Congress Should Enact the Universal Giving Pandemic Response and Recovery Act (S. 618, H.R. 1704).** Congress can help alleviate some of the funding difficulties the sector is facing by enacting bipartisan, bicameral legislation that would raise

### Legislative Solutions

- **Universal Charitable Deduction**
  - Restored through 2022
  - Increased giving amount (S. 618/H.R. 1704)
- **Individuals:** 100% of Adjusted Gross Income
- **Corporations:** 25% of Taxable Income

the \$300/\$600 cap to roughly \$4,000 for individuals/\$8,000 for couples, and renew the availability of the deduction through the 2022 tax year.

**Two additional disaster-related giving incentives must be restored.** In relief legislation after every natural disaster since Hurricane Katrina, Congress has raised the cap on the amount individuals and corporations can deduct for giving back to their communities. The latest surge in COVID cases makes clear that the pandemic is not over, and that disaster tax relief is still warranted.

**Legislative Solutions:** Charitable nonprofits urge Congress and the Administration to renew the **universal charitable (non-itemizer) deduction** at least through 2022 and significantly increase the cap on the deduction, as proposed in the bipartisan Universal Giving Pandemic Response and Recovery Act (S.618/H.R.1704). Similarly, we call on policymakers to extend two separate disaster-relief giving incentives that expired on Dec. 31, 2021 – the provision permitting individuals who itemize to deduct charitable donations up to **100% of their adjusted gross income** and the measure allowing corporations to deduct charitable donations up to **25% of taxable income**.

### The Ask

Will you cosponsor the **Universal Giving Pandemic Response and Act** (H.R. 1704/S.618) and urge your leaders to restore for 2022 the **individual and corporate giving incentives** enacted as part of both the CARES Act and the 2020 year-end relief law?

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<sup>i</sup> [Individual Income Tax Returns, Preliminary Data, Tax Year 2020](#), Statistics of Income Bulletin, Internal Revenue Service, Spring 2022.

<sup>ii</sup> [The Tax Cuts and Jobs Act and Charitable Giving by Select High-Income Households](#), American Enterprise

Institute, April 2022; <https://www.aei.org/wp-content/uploads/2022/04/The-Tax-Cuts-and-Jobs-Act-and-Charitable-Giving-by-Select-High-Income-Households.pdf>