Charitable Giving Incentives

Charitable nonprofits continue to experience growing demand for their services, yet costs continue to rise due to inflation while private donations and the number of donors are declining. The needs in our communities are far greater than the ability of governments to address alone. Congress should empower millions more taxpayers to help solve these challenges by enacting tax incentives that encourage donations to the work of charitable organizations in their communities.

The Challenge

In 2022, charitable giving suffered a 13.4% inflation-adjusted decline in individual donations, the largest recorded year-over-year drop.\(^1\) Compounding the challenge, there was a 2.1% decline in total giving in 2023 compared to 2022 when adjusted for inflation.\(^2\) Total giving has not yet surpassed the all-time inflation-adjusted high set in 2021, the last year of the non-itemizer deduction.

The number of people giving back to their communities has plummeted since 2002, when about 67% of American households made charitable contributions, compared to today’s percentage of only half.\(^3\) Currently, 88% of charitable giving is provided by 13% of donors.

Compounding these challenges, inflation has eroded the ability of organizations to afford their existing levels of operations, much less expand them to meet the growing need.\(^4\) Without a change in policy, these trends will continue to weaken the ability of charitable organizations to serve their communities.

Legislative Solution

Congress can help alleviate some of the adverse funding difficulties the sector is facing by enacting the **Charitable Act**. The legislation would empower taxpayers to give back to their communities by granting a tax incentive of roughly $4,800 for individuals/$9,600 for couples regardless of whether they claim other itemized deductions. This would incentivize greater giving to the work of nonprofits in communities, encourage taxpayers to give more to the missions they support, and effectively reduce demands on governments.

The Ask

Will you cosponsor the **Charitable Act** (H.R. 3435/S. 566) and urge your leadership to include it in any tax bills moving through Congress?

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1. [Giving USA](https://www.givingusa.org), Indiana University Lilly Family School of Philanthropy, June 20, 2023.
2. [Giving USA](https://www.givingusa.org), Indiana University Lilly Family School of Philanthropy, June 25, 2024.
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