Federal Charitable Giving Incentive

Strong charitable giving incentives encourage all Americans to help their communities through charitable donations during challenging times. The federal charitable giving incentive was significantly reduced under the 2017 federal tax law because of the near doubling of the standard deduction, which results in a decline in the number of people who itemize.

Why It Matters

Charitable nonprofits are experiencing increases in 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 will be critical in the future as nonprofits play an essential role in recovery efforts.

A universal (non-itemizer) charitable deduction encourages individuals to give away more of their income, devoting it to their community’s needs rather than their own.

Where We Stand

“The National Council of Nonprofits is committed to preserving the tax-exempt status of organizations contributing to the well-being of their communities and strengthening and expanding incentives for individuals to give their time and money
to the organizations whose missions they support. In practice, this commitment means ... supporting existing, enhanced, and new tax and other incentives (including a non-itemizer deduction) at the federal, state, and local levels that encourage individuals to volunteer their time and contribute money to the missions of all charitable nonprofits and opposing floors, caps, or limits on existing charitable giving incentives."

- **Public Policy Agenda**

**Status**

In 2023, a bipartisan group of U.S. Senators and Representatives introduced the [Charitable Act](S.566 / H.R. 3435) that would create a non-itemizer, universal charitable deduction. Specifically, the bill would enable taxpayers who take the standard deduction (about 88% of taxpayers) to deduct charitable donations of up to one-third of the standard deduction, or about $4,600 for individuals and $9,200 for married couples based on the current standard deduction.

Expanding the above-the-line deduction is a major policy priority of the nonprofit community, as explained in the [Nonprofit Community Letter](#) signed by more than 450 national organizations.

**Background**

The 2017 federal tax law increased the standard deduction for individuals (to $12,000), couples (to $24,000), and heads of households (to $18,000). The increase in the standard deduction expires after 2025. A 2022 [American Enterprise Institute analysis](#) found that the 2017 tax law did not result in upper-income taxpayers donating more to the work of charitable organizations as promised; in fact, charitable giving went down after its enactment. The number of filers claiming the itemized charitable deduction fell by 12.1% in 2020 compared to 2019.

Conversely, data show that the universal charitable deduction that Congress put in place temporarily in 2020 and 2021 during the pandemic worked. Taxpayers who took the standard deduction on their 2021 tax returns were able to claim an additional $18 billion in donations to the work of charitable nonprofits thanks to the universal charitable deduction, according to [interim data released by the Internal Revenue Service](#). More than 47 million households utilized the tax incentive enabling individuals to claim $300 in charitable deductions and couples to claim up to $600 in deductions even while also taking the standard deduction. One-fifth (21.3%) of those donations came from taxpayers with adjusted gross income of less than $30,000. In 2020, when the special deduction was limited to $300/household, 42.2 million households claimed $10.9 billion in additional giving. The universal charitable deduction expired after 2021.

In 2022, total charitable giving from individuals, foundations, businesses, and bequests dropped by 3.4% in current dollars and 10.5% relative to inflation, according to the annual [Giving USA report](#). Donations from individuals fell by 6.4 percent (a decline of 13.4 percent when adjusted for inflation) and total giving fell to just under $500 billion. This is just the fourth time in forty years that donations did not increase year over year.
What Nonprofits Can Do

Help protect the charitable giving incentive that supports the work of nonprofits in our communities now and in the future by contacting your Senators and Representatives to tell them how the giving incentive translates into impact in your community.

Urge Congress and the Administration to renew and significantly increase the cap on the universal charitable (non-itemizer) deduction, permit individuals who itemize to deduct charitable donations up to 100 percent of their adjusted gross income, and allow corporations to deduct charitable donations up to 25 percent of taxable income.

More About Giving Incentives


Additional Resources

- Giving USA 2023: The Annual Report on Philanthropy for the Year 2022, a publication of Giving USA Foundation, 2023, researched and written by the Indiana University Lilly Family School of Philanthropy.
- The Tax Cuts and Jobs Act and Charitable Giving by Select High-Income Households, American Enterprise Institute, April 2022.