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**

Sens. Lankford and Coons introducing the Charitable Act.
Click on the image above for a link to the video.

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.

Data show that most individual tax returns (87.5%) claimed a standard deduction and itemized deductions were claimed on only 9.3% of all returns for 2020. Compared to 2019, the number of filers claiming the itemized charitable deduction fell by 12.1%, reflecting a longstanding trend of fewer people donating. 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.

Conversely, IRS tax data of 2020 individual tax returns demonstrate the true positive impact of a federal charitable giving incentive. In 2020, 42.2 million taxpayers (29.4% of all individual tax returns) used the temporary universal charitable deduction and made a total of $10.9 billion in contributions to charitable nonprofits in 2020. Nearly a quarter (24%) of those taking this deduction had adjusted gross income of less than $30,000, and the largest segment of taxpayers to take advantage of the UCD were those earning between $50,000 and $100,000 (29% donating a total of $3.2 billion).

**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 2021: In a year of unprecedented events and challenges, charitable giving reached a record $471.44 billion in 2020](#), Lilly Family School of Philanthropy, Indiana University, June 15, 2021.
- [The Tax Cuts and Jobs Act and Charitable Giving by Select High-Income Households](#), American Enterprise Institute, April 2022.