CGC Disappointed Congress Fails to Enact
Universal Charitable Deduction in Reform;
Vows to Continue Push in 2018

As Congress moves to enact tax reform legislation, lawmakers are failing America’s charities. Instead of preserving a tax incentive that for the past century has helped build a strong and vibrant charitable sector, the final tax reform bill effectively eliminates the charitable deduction for 95% of all taxpayers, dealing a harsh blow to organizations on the frontlines of serving those most in need.

In real terms, more than 30 million taxpayers will no longer be able to deduct their charitable gifts, which will translate to a decline of more than $13 billion in charitable contributions annually. This decline represents between 4% and 6.5% of contributions according to studies by Lilly Family School of Philanthropy at Indiana University and Tax Policy Center.

Along with leaders from charities across the country, the Charitable Giving Coalition has spent the past year urging members of Congress to address the negative impact on giving that will be triggered by increasing the standard deduction. Several Republican and Democratic lawmakers recognized this reality and its negative consequences.

Unfortunately, despite clear and convincing evidence that the plans as introduced will reduce giving, the final tax bill does not include a “fix,” such as a universal charitable deduction for all taxpayers who will take the standard deduction. A universal charitable deduction would not only help recoup the anticipated loss of charitable contributions, but would also promote fairness by allowing all taxpayers to deduct their contributions.
The CGC recognizes that the final tax reform bill maintains the charitable deduction for the limited number of taxpayers who will continue to itemize. The bill also makes two positive adjustments for those taxpayers. First, it allows itemizers to deduct charitable contributions of cash up to 60% of their adjusted gross income (AGI), increasing that limitation from the current 50% level. Second, it repeals the Pease limitation, which had reduced the value of itemized deductions for higher income taxpayers.

While these changes are positive adjustments for the charitable deduction, they will, in no way, make up for the limited availability of the charitable deduction and the loss of billions of dollars in charitable contributions annually.

The stark reality for most charities is that, as government budgets continue to shrink—especially for social services and other programs that benefit communities—charitable contributions are a critical lifeline. Given this reality, it is extraordinarily short-sighted to limit incentives for private contributions to charity. Charitable contributions and the charitable tax deduction are critical for organizations doing vital work in our communities, particularly the small, local charities and congregations already being run on a shoe-string budgets that are likely to be hardest-hit by reduced giving. Losing 4 - 6.5% of their annual budgets will be devastating to these charities and to the vulnerable communities they often serve.

The CGC is deeply committed to pursuing a universal charitable deduction when Congress reconvenes in 2018. In recent months, a groundswell of support has grown among both Republicans and Democrats in the Senate and House. Several members demonstrated they understood the implications on charitable giving of tax reform proposals and introduced both legislation and amendments during consideration of the tax bill. The CGC is deeply grateful for these Members’ outspoken support and will build on this momentum to expand the charitable tax deduction to all American taxpayers.

The Charitable Giving Coalition

Representing private and community foundations, their grantees and independent charities. Formed in 2009, the coalition is a broad cross-section of nonprofit organizations across the country, including both the nonprofit organizations themselves and the associations and umbrella groups that serve their needs. The 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 coalition provides a unique and unified voice on Capitol Hill on issues affecting the charitable deduction, a voice composed of both direct lobbying and robust grassroots advocacy. www.protectgiving.org, #protectgiving, @protectgiving