

House Ways and Means Committee

The 2017 Tax Law and Who It Left Behind



Protecting America's Strong Tradition of Giving

Written Statement for the Record

March 27, 2019

On behalf of the Charitable Giving Coalition (CGC), a diverse group representing private and community foundations, their grantees and independent charities, as well as nonprofit organizations and the associations and for-profit entities that serve their needs, we are pleased to provide a written submission regarding the Tax Cuts and Jobs Act and its impact on charitable giving.

The Vital Role of Charitable Giving

Charitable giving is vital to thriving communities. From healing and educating to feeding the hungry and providing relief in times of crisis, the charitable sector is a vital part of society and a critical player in providing a safety net for millions of Americans. According to Giving USA, charitable giving exceeded \$410 billion in 2017, the most recent year for which data is available.¹ These charitable dollars are critical to America's charities, which continue to face tremendous demand for their services.

For more than 100 years, the charitable deduction has encouraged individuals to give away a portion of their income to serve those in need. While individuals are primarily motivated by a particular cause, passion, or mission, the presence of a tax incentive does encourage individuals to give more to charitable organizations. Simple arithmetic shows that those in need receive \$2.50 in benefit for every \$1 of tax benefit going to the donor. This is an impressive return on investment.

The Tax Cuts and Jobs Act and Giving

Although Congress did not directly limit the charitable deduction in the Tax Cuts and Jobs Act (TCJA), the doubling of the standard deduction included in the law significantly reduced the number of taxpayers who are able to deduct their charitable gifts. The Joint Committee on Taxation (JCT) estimated that the number of taxpayers who will itemize their taxes in 2018 will decrease by 61% (28.5 million fewer taxpayers) compared to 2017. Of the 175.8 million total taxpayers JCT estimated for 2017, only 18 million will have access to the charitable deduction in 2018. This change will result in an estimated loss of \$11 billion in charitable contributions each year.²

The TCJA's reduction in the number of taxpayers who can deduct their charitable gifts is likely to accelerate an already troubling philanthropic trend. The percentage of U.S. households that give to charity has decreased over the past several years. An Indiana University Lilly Family School of Philanthropy study indicates that the percentage dropped from 67 percent of U.S. households in 2005 to just 56 percent in 2015.³

¹ <https://givingusa.org/tag/giving-usa-2018/>

² [Tax Policy and Charitable Giving, Results, May 2017, Indiana University Lilly Family School of Philanthropy Study commissioned by Independent Sector https://independentsector.org/resource/tax-policy-charitable-giving/](https://independentsector.org/resource/tax-policy-charitable-giving/)

³ <https://philanthropy.iupui.edu/news-events/news-item/generosity-for-life,-a-new,-interactive-web-platform-on-charitable-giving,-launches-today-.html?id=239>

The coalition does appreciate that the TCJA included the elimination of the Pease limitation and an increase in the Adjusted Gross Income limitations for cash gifts. While these provisions will certainly incentivize additional giving, they will not offset the negative impact that the law's doubling of the standard deduction will have on overall charitable giving.

Troubling Early Signs for Giving in 2018

New studies suggest that the pace of charitable giving is already beginning to slow down. Historically, U.S. charitable giving has matched or exceeded GDP growth. However, new estimates from the Fundraising Effectiveness Project's Fourth Quarter Report indicate that while GDP grew by 2.9 percent in 2018, charitable giving only grew by 1.6 percent.⁴ The Fundraising Effectiveness Project also found that, compared to 2017:

- Charitable giving in 2018 declined 4.4 percent among those giving up to \$250,
- Donors giving \$250-\$1000 gave 4.0 percent less, and
- Total giving grew at a slower rate for larger donors (2.6% in 2018 versus 4.2% in 2017).

The 2018 Charitable Giving Report from the Blackbaud Institute for Philanthropic Impact also raises concerns. The report shows that while overall giving increased 1.5 percent in 2018, the increase did not keep up with the 1.9 percent rate of inflation. Additionally, the 1.5 percent increase in giving for 2018 is much smaller than the 4.1 percent increase in giving that Blackbaud reported in 2017 and the combined 9 percent increase since 2016. Additionally, smaller nonprofits with annual fundraising of under \$1 million saw a 2.3 percent drop in donations between 2017 and 2018.⁵

Data also suggest that the number of donors continues to decline. The Fundraising Effectiveness Project's 2018 Fourth Quarter Report reveals that the total number of donors dropped by 4.5 percent from 2017 to 2018. Included in that total are the following groups:

- New donors to an organization, which dropped by 7.3 percent from 2017, and
- Newly retained donors—those who have given a second time to an organization—which dropped by 14.9 percent.

The overall retention rate—the percentage of all donors making a gift to the same organization in 2017 and then again in 2018—dropped almost two percentage points to 45.5 percent from the 2017 rate. The new donor retention rate—donors who gave in 2017 for the first time and gave again in 2018—fell four percentage points to 20.2 percent.⁶

⁴ <http://afpfep.org/blog/fundraising-effectiveness-project-quarterly-fundraising-report-for-q4-2018/>

⁵ <https://www.prnewswire.com/news-releases/blackbaud-institute-releases-2018-charitable-giving-report-300798657.html>

⁶ <http://afpfep.org/blog/fundraising-effectiveness-project-quarterly-fundraising-report-for-q4-2018/>

Universal Charitable Deduction

The committee can address the reduction in number of donors—and increase charitable giving—by enacting a universal charitable deduction. Such a proposal will democratize giving by incentivizing all American taxpayers (regardless of income and itemizing status) to give to charity, thereby ensuring that our country retains a strong and independent civil society. The policy will also help charitable organizations continue raising the funds they need to achieve their critical missions. A universal charitable deduction would increase giving exponentially and would not only offset the projected, substantial loss of charitable dollars, but also increase giving by \$7 billion per year.⁷

Universal charitable deduction legislation has already been introduced this Congress. We are grateful that Representative Danny Davis (D-IL), a member of this Committee, has introduced H.R. 1260. We also support the Charitable Giving Tax Deduction Act (H.R. 651), a similar bill introduced by Reps. Henry Cuellar (D-TX) and Chris Smith (R-NJ). Enacting such legislation not only would offset the expected loss in charitable giving, but it also would pave the way for an increase in giving over previous years by extending the charitable deduction to all taxpayers.

We urge the Committee to support the enactment of a universal charitable deduction to encourage all Americans to give more to charity. We thank Chairman Neal, Ranking Member Brady, and members of the Committee for their support of the charitable sector, and we look forward to working with you on this important issue as you revisit the 2017 tax law and consider other issues related to the charitable sector.

⁷ <https://philanthropy.iupui.edu/news-events/news-item/generosity-for-life,-a-new,-interactive-web-platform-on-charitable-giving,-launches-today-.html?id=239>