THE CHARITABLE Act (S. 566/H.R. 3435)

Congressional Ask:

We urge Members of Congress to co-sponsor the Charitable Act, S. 566 in the Senate and H.R. 3435 in the House. The Senate bill has been introduced by Senators James Lankford (R-OK) and Chris Coons (D-DE), and House legislation has been introduced by Rep. Blake Moore (UT-1) and Rep. Chris Pappas (NH-1).

Background:

The Charitable Act would expand and extend the expired non-itemized deduction for charitable giving. The bill would make available to taxpayers, who do not itemize on their tax return, a below-the-line deduction for charitable giving on federal income taxes valued at up to one-third of the standard deduction (around $4,500 for an individual filer and around $9,000 for married joint filers). The standard deductions for tax year 2023 are $13,850 for individual filers and those married filing separately and $27,700 for married joint filers.

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed in March 2020, Congress enacted a $300 non-itemizer charitable deduction available to all taxpayers. In December 2020, lawmakers extended the availability of the $300 non-itemizer deduction through 2021 and increased the cap to $600 for joint filers. Unfortunately, the non-itemizer deduction expired at the end of 2021.

Data and Polling Show the Need for the CHAIRITABLE Act:

Recent data released by the Fundraising Effectiveness Project shows that the number of donors giving to charity in 2022 compared to 2021 declined by 7 percent. Most of those declines come from smaller donors who give $500 or less. Compared to the first half of 2021, the number of donors who gave $100 or less dropped 17.4 percent at the end of the year.

This decline continues a decades-long trend of fewer Americans giving to charity. In 2000, two-thirds of American households gave to charity. Now, that number is below 50 percent, according to the Indiana University Lilly School of Philanthropy.

Restoring and expanding the non-itemizer deduction can help address these troubling trends and help to drive more funds to nonprofits to help them weather the storm of inflation. When the non-itemizer deduction was first enacted in 2020, the number of donors increased by 7.3 percent, with the largest increases coming from those giving $250 or less (a 15.3 percent increase), according to the Fundraising Effectiveness Project.

Charitable giving is crucial to maintaining the health of the arts throughout our country. Key findings from the 2023 Giving USA Report, released last month, showed that an estimated $499.33 billion was given to charities in 2022. This represents a decrease of 10.5%, when adjusted for inflation, from 2021 giving levels. Specifically, when adjusted for inflation, giving to the arts, culture and humanities decreased 8.9%. 64% of charitable giving, or $319.04 billion, came from individuals, underscoring the importance of individual contributions to sectors such as the arts.

Contributions from individuals are oxygen for nonprofit arts and organizations, enabling them to make their cultural product accessible to the entire community. Even small fluctuations in this revenue stream can mean deficits for many organizations. The data make clear that the public believes in the value of the arts to their community. A public opinion poll conducted by Ipsos Public Affairs show 90% of Americans believe the arts improve quality of life, 86% believe they are important to local business and the economy, and 72% of Americans believe “the arts unify our communities regardless of age, race, and ethnicity”—a perspective observed across all demographic and economic categories. Nationally, the sector generated $151.7 billion of economic activity in 2022--$73.3 billion in spending by arts and culture organizations and an additional $78.4 billion in event-related expenditures by their audience. Additionally, **New polling data** from Independent Sector show that 8 in 10 voters overwhelmingly support provisions in the **Charitable Act.**