

**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.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

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

<sup>2</sup> [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/)

<sup>3</sup> <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.<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup>

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

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

<sup>6</sup> <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.<sup>7</sup>

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.

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



- A **unique, unified voice** representing a broad cross-section of nonprofit organizations from across the country.
- Comprised of **more than 175 organizations**, including individual nonprofit organizations, large national and international charities, and several associations and umbrella groups that represent the charitable sector.
- **Dedicated to preserving a charitable giving incentive** that ensures that our nation's charities receive the funds necessary to fulfill their essential philanthropic missions.

The Charitable Giving Coalition (CGC) formed in 2009 in response to proposals to limit the tax deduction for charitable contributions. The organizations listed below support the CGC.

For more information about the CGC, contact Jason Lee at [jason.lee@afpglobal.org](mailto:jason.lee@afpglobal.org) or 703-684-0410.

Association of Fundraising Professionals, *Chair*

Abila	Association of Art Museum Directors	Council for American Private Education
Agudath Israel of America	Association of Christian Schools International (ACSI)	Council for Christian Colleges & Universities (CCCU)
Alliance for Charitable Reform	Association of Direct Response Fundraising Counsel	Council on Foundations
Alliance for Strong Families and Communities	Augusta Levy Learning Center	Dance/USA
American Alliance of Museums	Blackbaud Inc.	Delaware Alliance for Nonprofit Advancement
American Baptist Foundation	Boston University	Delaware Symphony Orchestra
American College of Obstetricians and Gynecologists	Capital Caring	Des Moines Art Center
Americans for the Arts	Catholic Charities USA	Detroit Zoological Society
Americans for the Arts Action Fund	Catholic Health Initiatives National Foundation	Development Workshop Foundation
American Heart Association	Center for Non-Profits	Disabled American Veterans
American Institute for Cancer Research	Children's Hospital Association	DMA Nonprofit Federation
American Jewish Committee	Cincinnati Zoo and Botanical Gardens	Dunham+Company
American Red Cross	Community Foundation of Greater Birmingham	Duke University
American Society of Association Executives (ASAE)	Community Foundation Public Awareness Initiative	Easter Seals Midwest
APRA	Connecticut Community Foundation	Evangelical Council for Financial Accountability (ECFA)
Aronson LLC	Connelly Foundation	Faith and Giving Coalition
Association for Healthcare Philanthropy	Cornell University Council for Advancement and Support of Education (CASE)	Feeding America
		The Field Museum

Florida Nonprofit Alliance	National Association of Independent Schools	The Community Foundation for the National Capital Region
Focus Fundraising	National Association of Latino Arts and Culture	The Community Foundation for Northeast Florida
Forum of Regional Associations of Grantmakers	National Catholic Development Conference	The Giving Institute
George Washington University	National Christian Foundation	The Foraker Group
George Washington University School of Medicine and Health Sciences	National Council for Behavioral Health	The Philanthropy Roundtable
Girl Scouts of Eastern Pennsylvania	National Council of Nonprofits	The Salvation Army
Girl Scouts of the USA	National Philanthropic Trust	The Stelter Company
Goodwill Industries International	Nature Conservancy	The University of Texas Health Science Center at Houston (UTHealth)
Grantmakers of Western Pennsylvania	New Jersey Institute of Technology	The Wilma Theatre
Grinnell College	Nonprofit Association of the Midlands	Theatre Communications Group
Habitat for Humanity Int'l	Ohio Jewish Communities	TrueSense Marketing
Hazen Inc.	OPERA America	UK Markey Cancer Foundation
Hindu American Foundation	Oregon Jewish Community	Union of Orthodox Jewish Congregations of America (Orthodox Union)
IEEE Foundation	Oregon State University	United Way of Central Massachusetts
Independent Sector	Partnership for Philanthropic Planning	United Ways of Pacific Northwest
InfoGroup	Peachhealth Southwest Medical Center Foundation	United Way Worldwide
Iowa State University Foundation	Pennsylvania Association of Nonprofit Organizations	Unity Point Health – Des Moines Foundation
Jewish Federation of Chicago	Performing Arts Alliance (PAA)	University of Colorado
Jewish Federations of North America	Pet Alliance of Greater Orlando	University of Iowa
Jewish Federation of Philadelphia	Philanthropy Ohio	University of Maryland School of Nursing (Baltimore)
Johns Hopkins University	Pittsburgh Ballet Theatre	University of Michigan
Kansas State University	PlayMakers Repertory Company – Center for Dramatic Arts	University of Missouri
Kansas State University Foundation	Princeton University	University of North Carolina System
Kauffman Foundation	Rutgers, The State University of New Jersey	Utah Museum of Fine Arts
Kentucky Nonprofit Network	School of Professional Studies, New York University	Valley of the Sun United Way
KL Ward Consulting & AICR Consultant	Saint Louis Zoo	Volunteers of America
Leadership 18	Share Our Strength	Waynesburg University
LeadingAge	SOAR (Support Our Aging Religious)	Westmoreland Museum of American Art
League of American Orchestras	SofterWare/DonorPerfect Fundraising and the Giving USA Foundation	White Memorial Medical Center Charitable Foundation
LifeBridge Health	South Dakota Community Foundation	Wildlife Conservation Society
Louisiana Association of Nonprofit Organizations	Special Events Unlimited, Inc.	Williams College Museum of Art
m3 Development	Spencer Museum of Art, University of Kansas	Wilmington College
Major Gifts	St. Baldrick's Foundation	World Vision US
Massachusetts Nonprofit Network	St. Labre Indian School	Wounded Warrior Project
Mayo Clinic	St. Rose Dominican Health	Wyoming Nonprofit Network
Mercy Medical Angels	The Advise Us Fund	Year Up
Michigan State University	The American College of Financial Services	YMCA of the USA
Mon General Hospital Foundation	The Cathedral Center	
Mundelein Seminary (Roman Catholic)	The Children's Museum of Indianapolis	
National Association of Charitable Gift Planners		
National Association of College and University Business Officers (NACUBO)		