

Non-Itemizer Charitable Deduction Would Help Communities

Nonprofits are concerned that federal tax reform plans could significantly reduce incentives for charitable giving. Congress can help ensure that private individuals support the important work of churches and other 501(c)(3) nonprofits by creating a non-itemizer deduction for charitable contributions.

The charitable deduction helps our communities

- In 2013, Americans who itemized their deductions on their federal income taxes made **\$195 billion in charitable contributions**, and North Carolina taxpayers who used itemized deductions made **more than \$5.7 billion in charitable contributions**.
- Nonprofits use private charitable contributions to provide essential services such as food, education, health care, spiritual development, job training, youth programs, arts and culture, child care, services for seniors, affordable housing, and assistance for victims of domestic violence.
- At a time when 60% of North Carolina nonprofits are unable to meet basic needs, any decline in charitable giving will take away from nonprofits' ability to serve communities and will increase the number of North Carolinians relying on government services. This costs taxpayers money and diverts public funds from other pressing needs.

Many tax reform proposals would lead to less charitable giving

- Most tax reform plans – including President Trump's proposal – would significantly increase the standard deduction. Currently, 31% of Americans itemize their deductions. Studies estimate that only about 5% of taxpayers would itemize their deductions under the President's plan. **This would mean that 95% of Americans would have no tax incentives to make charitable contributions.**
- The tax reform proposals from the last two Presidents have also included caps on itemized deductions. These caps would further reduce incentives for high-income taxpayers to give generously to nonprofits.
- Other tax reform proposals have included a floor on the charitable deduction, which sends a message to lower- and middle-income taxpayers that their charitable contributions are less valued.
- Overall, **researchers estimate that the Trump tax plan would lead to significantly less charitable giving than our current tax system.** The projections for reductions in charitable contributions range from \$13.1 per year (Indiana University) to \$17.6 billion per year (American Enterprise Institute) to a range of \$13.5 billion to \$26.1 billion per year (Tax Policy Center).

A non-itemizer charitable deduction would increase giving to churches and other nonprofits

- As part of tax reform, Congress should enhance – rather than reduce – incentives for charitable giving. **Congress can expand the incentive by making it universally available to all Americans through a non-itemizer deduction for charitable contributions.**
- Many tax reform proposals would increase the standard deduction. The addition of a non-itemizer deduction would help overcome the likely decrease in charitable giving that most economists predict will otherwise occur as the number of itemizers decreases. An Indiana University study estimates that a non-itemizer deduction could increase giving by \$4.8 billion per year.