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IRS ISSUES

Renewed Push for Universal Charitable Deduction

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We now mark the third anniversary of the start of the COVID-19 pandemic. Among the few silver linings of this catastrophe for the philanthropy community has been the flexibility of government and funders to clear the path for emergency money and other aid.

In almost the blink of an eye, many items on the nonprofit sector's long-time wish list were put into place with relative ease. Whether it be the long sought-after loosening of grant practices and procedures, the adoption of general operating support and multi-year grant packages, or the willingness to share power and decision-making more fully than ever before, these emergency adaptations proved successful. The usual excuses – the "it's always been this way, so we can't change it" mindset – fell by the wayside.

Another critical factor for nonprofits to manage the pandemic's fallout was the almost astonishing willingness of Congress to approve massive infusions of money and to facilitate other tweaks to the status quo including emergency tax benefits.

One such accommodation was the short-term creation of a universal charitable deduction that included non-itemizers as well as itemizers. Despite pleas to extend it a bit beyond its expiration date or to make it permanent, Congress did neither.

There has been chatter for the last year or so about generating momentum for such a change and getting at least some bipartisan support in each chamber of the U.S. Congress.

In early March, there was news of just such an renewed effort: A coalition of eleven U.S. Senators introduced a bill to "amend the Internal Revenue Code of 1986 to modify and extend the deduction for charitable contributions for individuals not itemizing deductions."

The New Legislation

Senators James Lankford (R-OK) and Chris Coons (D-DE) are the lead sponsors of the Charitable Act.

Co-sponsors to date include: Catherine Cortez Masto (D-NV), Marco Rubio (R-FL), Maggie Hassan (D-NH), Raphael Warnock (R-GA), Susan Collins (R-ME), Amy Klobuchar (D-MN), Gary Peters (D-MI), Tim Scott (R-SC), and Jeanne Shaheen (D-NH).

Specifically, this legislation is designed *not* just to give short-term or temporary relief but to "to expand and extend the expired non-itemized deduction for charitable giving that would ensure Americans who donate to charities, houses of worship, religious organizations, and other nonprofits of their choice are able to deduct that donation from their federal taxes at a higher level than the previous $300 deduction." It would make a *permanent* change to section 170 of the Internal Revenue Code, effective for taxable years beginning after December 31, 2022.

More particularly, it would permit non-itemizing taxpayers to additionally deduct up to one-third of the standard deduction, which works out right now as about $4,500 for individuals or about $9,000 if filing jointly for charitable deductions. For tax year 2023, the standard deductions are $13,850 for individual filers and $27,700 for married joint filers.

Typical of the sentiments of the Senate co-sponsors are these words from New Hampshire Senator Jean Shaheen: "Charitable donations are a lifeline for many nonprofits, helping to keep doors open and continue much-needed services for local residents. As our communities continue their recovery from the pandemic, it's critical that we ensure non-profit organizations on the frontlines assisting families are supported."

She adds: "Our legislation would make an overdue, commonsense change to offset the effects of the 2017 tax law, which weakened funding options for non-profits nationwide…."

Wide Support

The bill is supported by coalitions of thousands of organizations including the 25,000-member National Council of Nonprofits (see endorsement letter dated February 27, 2023), the Leadership18 (see endorsement letter dated March 2023), and the 175-member Charitable Giving Coalition (see endorsement letter dated March 1, 2023).

Supporting it as well are: Independent Sector, the Association of Fundraising Professionals, the Nonprofit Alliance, United Philanthropy Forum, the National Philanthropic Trust, and the Jewish Federations of North America.

Backers also include numerous nonprofits including YMCA, United Way, Goodwill Industries, and the American Heart Association. For instance, Suzanne McCormick of YMCA of the USA explains: "Nonprofits need tools like the nonitemizer deduction proposed by the Charitable Act to meet growing and changing community needs. As expected, the universal charitable deduction enacted temporarily during the height of the pandemic unlocked more giving. Making the deduction permanent will provide an ongoing incentive to increase giving and also will counteract inflation."

Hard Evidence

As hard evidence to bolster the case for this change to the Internal Revenue Code, there are the results of the short-term extension included in the March 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act, beefed up and continued nine months later by the Taxpayer Certainty and Disaster Tax Relief Act of 2020. “Approximately 29% — or 42 million taxpayers — took advantage of the deduction in 2020, which accounted for $10.9 billion in charitable contributions, according to the IRS (opens as a pdf). And almost 24% of those taxpayers had an adjusted gross income of less than $30,000.” See *Senators Push to Restore the Universal Charitable Deduction: 3 Things You Need to Know* (March 8, 2023) Amanda L. Cole, *nonprofitpro.com.*

And, according to Rick Cohen, chief communications officer and COO of the National Council of Nonprofits: “We saw the success of [the universal charitable deduction] when it was instituted during the pandemic. There was a marked increase in the number of donations in the amount of $300, exactly the amount of the universal charitable deduction. The deduction encourages more giving, and that’s what our communities need right now.”

Conclusion

Of course, without clear bipartisan support in the Congress of today, any such bill would go nowhere at all. So the early proliferation of co-sponsorships as well as nonprofit-sector endorsements bodes well for eventual passage.

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