



Talking Points on Charitable Giving and Tax Reform

Charitable Giving is Critical to Educational Institutions

- Charitable donations help colleges, universities and independent schools achieve their teaching, research and public service missions. For the past 100 years, the charitable deduction has encouraged individuals to make significant, transformational gifts to educational institutions.
- As federal and state governments continue to cut funding for higher education, raising private support from individuals has become even more crucial for colleges and universities.
- According to the Council for Aid to Education's Voluntary Support of Education (VSE) Survey, donors contributed \$41 billion to higher education in 2016, an increase of 1.7 percent over the previous year.

House and Senate Tax Reform Bills Would Lead to a Decline in Charitable Giving

- While both the House (H.R. 1) and Senate tax bills preserve a charitable giving incentive, its value would be significantly curtailed and charitable giving would decline.
- By doubling the current standard deduction threshold, the House and Senate bills would significantly reduce the number of taxpayers who itemize their tax returns (from roughly 30 percent of taxpayers to 5 percent), effectively eliminating the charitable deduction for 95 percent of Americans.
- This change will increase the cost of giving for donors to educational institutions, particularly donors who give current gifts to the institution's annual fund.
- The Joint Committee on Taxation has estimated that H.R. 1 would reduce the total number of charitable contributions deducted in 2018 by nearly \$100 billion. Additionally, JCT estimates that the number of taxpayers claiming the charitable deduction will drop from roughly 40 million to 9 million.
- The Tax Policy Center has estimated that H.R. 1 would lead to a \$12 billion to \$20 billion dollar decline in charitable giving in 2018.ⁱ
- Additionally, the provision in the House bill that calls for the phase out and repeal of the estate tax would eliminate a major tax incentive donors have to give portions of their estate to charity, including colleges, universities and independent schools. The result will be less resources for student scholarships, facilities, faculty and research at educational institutions.
- Studies by the Congressional Budget Office and the Brookings Institution suggest that full repeal of the estate tax would reduce charitable giving by 6 to 12 percent per year and reduce bequests by 16 to 28 percent.ⁱⁱ

Lawmakers Should Include the Universal Charitable Giving Act in Tax Reform

- The charitable deduction is unlike other itemized deductions because it encourages people to voluntarily give away their money to improve their communities, shape the public good and help others. If anything, incentives for this type of behavior should be enhanced, not limited.

- Instead of enacting changes that would curtail the charitable deduction, lawmakers should strive to enhance and expand it. A universal, or above-the-line, charitable deduction would expand the deduction to all taxpayers and exclude all charitable gifts from taxation. Such a proposal would increase giving in both dollars and number of new donors, increase fairness by treating all taxpayers' charitable contributions equally under the tax code and provide modest tax relief for low- and middle-income taxpayers
- Sen. James Lankford (R-OK) and Rep. Mark Walker (R-NC) have introduced the Universal Charitable Giving Act, a bill that would allow non-itemizing taxpayers to deduct their charitable gifts up to a limit of one-third of the standard deduction threshold. This bill would ensure that all American taxpayers will benefit from a charitable giving incentive and will help address the negative consequences that doubling the standard deduction will have on giving.
- We urge you to protect charitable giving by pushing for inclusion of the Universal Charitable Giving Act in tax reform legislation.

ⁱ *The House Tax Bill is Not Very Charitable to Nonprofits*, Tax Policy Center, Nov. 15, 2017

ⁱⁱ *The Estate Tax and Charitable Giving*, Congressional Budget Office, July 2004

<http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/56xx/doc5650/07-15-charitablegiving.pdf>;

Options for Reforming the Estate Tax, The Brookings Institution, April 2005

<https://www.brookings.edu/articles/options-for-reforming-the-estate-tax/>