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Federal Charitable Giving Incentive

Strong charitable giving incentives encourage all Americans to help their communities through charitable donations during challenging times. The federal charitable giving incentive was significantly reduced under the [2017 federal tax law](#) because of the near doubling of the standard deduction, which results in a decline in the number of people who itemize.

Why It Matters

Charitable nonprofits are experiencing increases in demand for services that outpace available funding. Greater incentives for charitable giving are needed more than ever as nonprofits respond to the health and economic crises and will be critical in the future as nonprofits play an essential role in recovery efforts.

A universal (non-itemizer) charitable deduction encourages individuals to *give away* more of their income, devoting it to their community's needs rather than their own.

In 2023, total charitable giving from individuals, foundations, businesses, and bequests dropped by 2.1% when adjusted for inflation, according to the latest [Giving USA data](#). This follows the abysmal giving declines of 13.4% in individual giving in 2022. The new data also show that giving to religious organizations declined by 1.0% in 2023 when adjusted for inflation. Total giving has not yet surpassed the all-time inflation-adjusted high set in 2021, the last year of the non-itemizer deduction.

The American Enterprise Institute examined the impact of the 2017 federal tax law on charitable giving; the results are not positive. In [How the 2017 Tax Law Made Itemized Charitable Giving a Luxury Good](#), the authors found that the share of taxpayers choosing to itemize deductions dropped precipitously after passage of the Tax Cuts and Jobs Act and that the average share of total adjusted gross income (AGI) devoted to itemized charitable giving fell by 28%. They note that total itemized giving increased by \$26 billion (11%), in 2021, but explain that increases in donations from high-income individuals more than offset the sharp decline in itemized deductions from taxpayers in lower tax brackets. As a solution, they state, "The most obvious fix is restoring the 2020-21 above-the-line charitable tax deduction."

Where We Stand

"The National Council of Nonprofits is committed to preserving the tax-exempt status of organizations contributing to the well-being of their communities and strengthening and expanding incentives for individuals to give their time and money to the organizations whose missions they support. In practice, this commitment means ... supporting universal or non-itemizer charitable deductions and opposing and opposing unreasonable floors, caps, or limits on existing charitable giving incentives."

- [Public Policy Agenda](#)

Status



Sens. Lankford and Coons
introducing the Charitable Act.
Click on the image above for a
link to the video.

In 2023, a bipartisan group of U.S. Senators and Representatives introduced the *Charitable Act* ([S.566](#) / [H.R. 3435](#)) that would create a non-itemizer, universal charitable deduction. Specifically, the bill would enable taxpayers who take the standard deduction (about 88% of taxpayers) to deduct charitable donations of up to one-third of the standard deduction, or about \$4,600 for individuals and \$9,200 for married couples based on the current standard deduction.

- [Letter in Support of the Charitable Act on Giving Tuesday](#), Charitable Giving Coalition, Nov. 28, 2023.
- [Letter to Reps. Moore, Pappas, Steel, and Davis re Endorsement of the Charitable Act](#), National Council of Nonprofits, May 17, 2023.
- [Letter to Rep. Moore re Endorsement of the Charitable Act](#), Utah Nonprofits Association, May 15, 2023.
- [Letter to Sens. Lankford and Coons re Endorsement of the Charitable Act](#), National Council of Nonprofits, Mar. 1, 2023.

Expanding the above-the-line deduction is a major policy priority of the nonprofit community, as explained in the [Nonprofit Community Letter](#) signed by more than 450 national organizations.

Background

The 2017 federal tax law increased the standard deduction for individuals (to \$12,000), couples (to \$24,000), and heads of households (to \$18,000). The increase in the standard deduction expires after 2025. A 2022 [American Enterprise Institute analysis](#) found that the 2017 tax law did not result in upper-income taxpayers donating more to the work of charitable organizations as promised; in fact, charitable giving went down after its enactment. The number of filers claiming the itemized charitable deduction fell by 12.1% in 2020 compared to 2019.

Conversely, data show that the universal charitable deduction that Congress put in place temporarily in 2020 and 2021 during the pandemic worked. Taxpayers who took the standard deduction on their 2021 tax returns were able to claim an

additional \$18 billion in donations to the work of charitable nonprofits thanks to the universal charitable deduction, according to [interim data released by the Internal Revenue Service](#). More than 47 million households utilized the tax incentive enabling individuals to claim \$300 in charitable deductions and couples to claim up to \$600 in deductions even while also taking the standard deduction. One-fifth (21.3%) of those donations came from taxpayers with adjusted gross income of less than \$30,000. In 2020, when the special deduction was limited to \$300/household, 42.2 million households claimed \$10.9 billion in additional giving. The universal charitable deduction expired after 2021.

What Nonprofits Can Do

Help protect the charitable giving incentive that supports the work of nonprofits in our communities now and in the future by contacting your Senators and Representatives to tell them how the giving incentive translates into impact in your community.

Urge Congress and the Administration to renew and significantly increase the cap on the universal charitable (non-itemizer) deduction, permit individuals who itemize to deduct charitable donations up to 100 percent of their adjusted gross income, and allow corporations to deduct charitable donations up to 25 percent of taxable income.

More About Giving Incentives

- [A Tax Bill Emerges. Advocacy Needed to Add a Charitable Giving Incentive.](#), *Nonprofit Champion*, Jan. 16, 2024.
- [It's Real: Charitable Giving Plummeted Last Year](#), Amy Silver O'Leary and Tim Delaney, *Nonprofit Essentials*, June 21, 2023.
- [Letter of Endorsement of the Charitable Act](#), National Council of Nonprofits Network, Mar. 1, 2023.
- [New Giving Data and Reports: Giving Stays Flat, and Worrisome Trend of Fewer Donors Continues](#), National Council of Nonprofits Blog, June 23, 2022.

Additional Resources

- [Quarterly Fundraising Report](#), Fundraising Effectiveness Project, Q3 2023.

- [Giving USA 2024: The Annual Report on Philanthropy for the Year 2023](#), a publication of Giving USA Foundation, 2024, researched and written by the Indiana University Lilly Family School of Philanthropy.
- [The Tax Cuts and Jobs Act and Charitable Giving by Select High-Income Households](#), American Enterprise Institute, April 2022.