National Council of Nonprofits

State Charitable Giving Incentives

The tax laws in many states encourage individuals to give to charitable organizations whose missions they support by providing an itemized deduction or tax credit. In recent years some states have sought to cap or eliminate charitable giving incentives. Reduction or removal of charitable giving incentives threaten the ability of nonprofit organizations to serve people in need and to continue to strengthen work in communities.

Why It Matters

"Maintaining the value of the charitable giving tax incentive is essential to the ongoing work of nonprofit organizations in delivering essential services, enhancing quality of life, and uplifting the spirit of faith, innovation, and inspiration in local communities across America.

If lawmakers truly want effective tax policies and more efficient government, then we also need a thriving charitable nonprofit sector that provides essential services for the people who need them the most."

- Mayor Walter Weeks, Coats, NC, writing in Senate bill harms nonprofits, communities, *Fayetteville (NC) Observer*, Apr. 19, 2015.

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.

- Public Policy Agenda

Status

The federal Tax Cuts and Jobs Act, enacted at the end of 2017, generated bills at the state level through which legislators sought either to conform state law to the revised federal tax code or to create variances from the federal law. Lawmakers in several states introduced bills to reduce or limit the expected adverse impact of the federal tax law on charitable giving resulting from the near doubling of the federal standard deduction to $12,000 for individuals and $24,000 for couples.

Non-itemizer Deductions

A non-itemizer deduction, also known as a universal or "above the line" deduction, allows all taxpayers, regardless of whether they itemize or take the standard deduction, to claim charitable contributions on their tax forms. The decrease in number of itemizers due to the 2017 federal tax law – data show 20 million fewer taxpayers claimed the itemized deduction in the year after that significant change – makes state non-itemizer deductions all the more valuable for donors today.

Currently only donors in Arizona, Colorado, and Minnesota have a non-itemizer deduction available to them.

Lawmakers in Georgia, Kansas, Kentucky, New Jersey, New York, North Carolina, Pennsylvania, Utah, and Virginia have considered enacting similar incentives previously. Georgia did enact a short-term non-itemizer deduction that only applied in 2020. Advocacy in the **New Jersey** Legislature has been ongoing for years because, as the NJ Center for Nonprofits states, "Demand for the programs and services provided by charities continues to grow, while needed resources lag behind" (as outlined in the Center's report).

Charitable Giving and Endowments

Tax laws in six states (**Iowa**, **Kentucky**, **Maryland**, Mississippi, **Montana**, and **North Dakota**) incentivizing charitable donations via tax credits helped generate increased donations to endowments. Each state provision is structured differently, with some allowing the benefits to be applied only to gifts to community foundations, while others also allow donations to charitable organizations, including nonprofit colleges and universities.

Charitable Giving and Tax Credits

An alternative to a non-itemizer tax deduction is a tax credit, normally a fixed percentage of a donation that provides a dollar-for-dollar offset of state tax liability. State policymakers Arizona, Mississippi, and Missouri have successfully established tax credits to incentivize contributions to specific nonprofits or types of missions for individuals with a chronic illness or physical disability, community foundations, child advocacy centers, homeless shelters, and soup kitchens.

What Nonprofits Can Do

Changes to the charitable giving incentive proposed as part of comprehensive tax reform at the state and federal levels represent major threats to the work of nonprofits in communities. Help protect charitable giving now and in the future by sharing your story with your state association of nonprofits and contacting your legislators to tell them how the giving incentive allows nonprofits to make a positive impact in your community.

More About State Charitable Giving Incentives

- Spreading Cheer Through Charitable Giving, Emily Maher and Tiffany Gourley Carter, NCSL Blog, Dec. 20, 2023.
- Investing Surprise Surpluses ... for the Public Good, Tiffany Gourley Carter, National Council of Nonprofits, Apr. 4, 2022.
- The Effects of 2019 Tax-Policy Decisions Will Linger for Decades. It's Time to Weigh In., Tim Delaney, *The Chronicle of Philanthropy*, Jan. 14, 2019.

- Tax Reform Lessons Learned From State Experiments, Lisa Maruyama and Tim Delaney, *Huffington Post*, July 25, 2013.

Additional Resources

- State Charitable Giving Incentives Update, *Nonprofit Champion*, June 17, 2024.
- Contributions in Exchange for State or Local Tax Credits, U.S. Treasury Department and Internal Revenue Service, published Aug. 27, 2018.
- Treasury Issues Proposed Rule on Charitable Contributions and State and Local Tax Credits, Treasury Department news release, Aug. 23, 2018.