



A Project of The Philanthropy Roundtable

Tax Reform 2017 Frequently Asked Questions

Is the charitable deduction issue really that important?

- This is a crucial time for the charitable deduction.
- Everyone agrees that America's tax code needs to be simplified and that we must address our budget deficit.
- If lawmakers tamper with the charitable deduction, there could be meaningful to devastating consequences for our communities and millions of people who rely on programs and services supported through charitable giving.

The charitable deduction is already safe. Why are you still meeting with lawmakers about it?

- Congressional leaders have made clear that one major objective of tax reform is to simplify the rules for individual taxpayers.
- But, simplifying the tax code could create major pitfalls for America's charities.
- Under the current tax code, a little more than 30 percent of taxpayers itemize their deductions. Congress is considering doubling the standard deduction. This would leave only 5 percent of taxpayers who would itemize.
- So, only 5 percent of taxpayers would have the charitable deduction available to them. That is concerning.
- Doubling the standard deduction and reducing the number of itemizers would remove the tax incentive for an estimated \$95 billion of annual charitable giving.

Are you opposed to an increased standard deduction?

- Absolutely not. Americans would welcome relief from the over-complicated and conflicting tax code we all follow today.
- We are simply educating elected officials about the unintended consequences of reducing itemizers and simplifying the tax code.
- According to IRS data, doubling the standard deduction and reducing the number of itemizers from about one-third of Americans to about five percent would remove the tax incentive for an estimated \$95 billion of annual charitable giving.

What's the solution?

- In tax reform, Congress can take good tax policy (the charitable deduction) and make it better.
- Instead of offering a charitable giving incentive to fewer people, why not make it available to all Americans, regardless of income level or how they file their taxes?
- Expanding the charitable deduction to all Americans with a universal charitable deduction would increase giving, increase fairness by treating all taxpayers' contributions equally, and provide modest tax relief to middle- and low-income taxpayers.

- A study from the Lilly School at Indiana University found implementing a universal charitable deduction could increase charitable giving by nearly \$5 billion annually.

Isn't the charitable deduction just another loophole for the wealthy?

- The charitable deduction is a lifeline for people and communities in need, not a loophole.
- It is the only deduction that encourages you not to spend or invest your income, but to give it away.
- Every charitable gift has one thing in common: The donor is always left worse off financially, but society is made better.
- Besides, if the critics feel the charitable deduction only benefits the wealthy, they would favor expanding the charitable deduction to all Americans.

Doesn't the government subsidize charity through the charitable deduction?

- The charitable deduction has dual roles. It serves as an incentive to give, but it also serves as a guardrail against government intrusion. Congress shields private donations from the brunt of taxation in order to appropriately limit government intrusion.
- The charitable deduction serves as a guardrail between the nonprofit sector and government, and is in recognition that money given away isn't available for personal consumption or saving and therefore isn't properly considered taxable income.
- To assume the charitable deduction is a subsidy is also to assume the government was the source of the funding to begin with.
- Money given away for public benefit is neither part of your income nor the government's money to claim.

Americans are instinctively altruistic, especially religious donors. Won't they continue to give to charity out of generosity?

- We don't doubt that Americans are generous. Our nation has a history of giving back.
- The tax incentive for donating to charity doesn't necessarily affect who gives, but we do believe it affects when and how much a donor gives.
- A study from the Lilly School at Indiana University found current tax reform proposals would reduce charitable giving to religious organizations by as much as 4.7 percent and giving to other organizations by as much as 4.4 percent. What this suggests is that religious giving may be MORE sensitive to tax changes than other types of giving, not less.