



Protecting America's Strong Tradition of Giving

Dear President-Elect Biden:

On behalf of the Charitable Giving Coalition, a diverse group representing America's charitable sector including public charities, more than 40 private and community foundations and their grantees, as well as nonprofit organizations and the associations and umbrella groups that serve their needs, we congratulate you on your successful presidential campaign. As you begin your time in the White House, we urge you to fully protect and increase charitable giving incentives, particularly the charitable contribution deduction, in any tax and budget proposals under consideration during your Administration.

We are particularly concerned about a proposal that is reported to be part of the Biden - Harris tax plan: capping the tax benefit of itemized deductions as well as the reintroduction of the so-called "Pease limitation" on itemized deductions at 28 percent for taxpayers making more than \$400,000/year. As you contemplate these provisions, we recommend that you exempt the charitable contribution deduction from both.

The charitable contribution deduction is unique in the tax code in that it encourages individuals to give away a portion of their income to those in need. It rewards a selfless act, and it incentivizes donors to give more funds to charities than they would otherwise give. A simple calculation of the deduction suggests that America's charities receive at least \$2.50 of benefit for every \$1 of tax benefit going to the donor—and those dollars are made available to help the most vulnerable among us. No other tax provision, indeed, no other government program generates that kind of positive public impact and return on investment.

According to Giving USA, Americans gave over \$449 billion to support charitable causes in 2019, much of which is claimed as a charitable tax deduction. Unlike with other deductions, individuals can—and will—adjust their levels of charitable contributions in response to tax code changes. And that adjustment will ultimately impact those served by our organizations in local communities.

Strengthening the charitable sector is a key means of jumpstarting the economy. According to the National Council of Nonprofits, charitable organizations generate nearly \$2 trillion every year in the form of jobs and services. Roughly one in 10 U.S. workers is employed by the nonprofit sector, which provides 12.5 million jobs, according to the Center for Civil Society Studies at Johns Hopkins University. Annually, nonprofit

organizations are the third-largest generator of payroll income in the United States, paying roughly \$670 billion in wages and benefits.

Instead of considering proposals that would curtail charitable giving, we urge you to support policies that will increase charitable giving, such as expanding and extending the temporary “universal” (or above-the-line) charitable deduction that was included in the CARES Act, which allows non-itemizers to deduct from their taxes up to \$300 in charitable gifts made in cash in 2020. At a time when demand for nonprofit services is at an all-time high across the country, incentivizing additional charitable giving from all Americans, regardless of income, is a critical step to take as the recovery continues. And while there are many factors that contribute to why individuals give to charity, especially during a time of increased need, what we do know that there has been an increase in small-dollar charitable gifts (up 7.5% in the first half of 2020) since the temporary universal charitable deduction was signed into law in March.

Expanding and extending the universal charitable deduction will help to bolster the recent increase in small-dollar gifts and will help to reverse the steady decline of the number of Americans giving to charity that has occurred over the past two decades. In addition, it will help restore donations that dropped off following the passage of the 2017 tax bill, which led to a 60 percent reduction in Americans itemizing their deductions, and restore fairness to charitable giving tax incentives.

Again, we congratulate you on your successful and historic campaign for President of the United States. We look forward to working with you and your staff on this important issue and are happy to act as a resource to you regarding philanthropy and charitable giving.

Sincerely,

The Charitable Giving Coalition