



Maine
Philanthropy
Center

Support for the Universal or Non-itemized Charitable Income Tax Deduction

Issue

- Charitable giving is vital to charities in Maine and the entire United States which continue to face tremendous demand for their services.
- We applaud Congress for keeping the charitable deduction in the new tax law that passed late in 2017. Unfortunately, the new tax law will still lead to an estimated loss of \$12 billion to \$20 billion in charitable giving as a result of the doubling of the standard deduction. It's projected that this doubling will result in the percentage of taxpayers who itemize their taxes decreasing from 31% to only 13%, according to a February 2018 study by the Joint Committee on Taxation (JCT), thereby eliminating this critical charitable giving incentive for 21 million Americans.

Rationale

- The universal charitable deduction provides an above-the-line deduction for charitable contributions of individuals who do not elect to itemize deductions on their taxes. Regardless of their income level, taxpayers who receive a deduction for their contributions give more to charities than those who do not receive a deduction.

It's Already Happening

- We know that in Maine, some financial advisers are recommending that their clients rethink their giving.

One recommended approach is to give every other year in order to be able to take advantage of the tax benefits. While this may benefit the donor, it creates uncertainty and increases risk for Maine charities who depend upon a steady and predictable stream of funding.

Pending Legislation

- The Universal Charitable Giving Act was introduced by Rep. Mark Walker (R-NC) in the House (H.R.3988) and Sen. James Lankford (R-OK) in the Senate (S.2123) is a good start for creating a universal charitable deduction. However, the Universal Charitable Giving Act places caps on the charitable deduction (to not exceed one-third of the standard deduction) that need to be removed if we want to encourage as much charitable giving as possible to meet the many urgent needs in our communities.

Why This Matters

- Most of Maine nonprofits rely on philanthropy and depended on the benefit of the charitable giving incentive to generate the necessary funds to help pay for the delivery of existing services and programs. If charitable giving declines, the mission work and those who depend on it will be at risk.

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