



TAX POLICY

ENCOURAGING CHARITABLE GIVING AND SUPPORTING PUBLIC ACCESS TO THE ARTS

ACTION NEEDED

We urge Congress to:

- **Reinstate and expand incentives for charitable giving by enacting a universal charitable deduction available to all taxpayers.**
- **Ensure that further tax policy changes will protect nonprofit nonpartisanship and strengthen the capacity of the arts sector to support communities.**

TALKING POINTS

- **Nonprofit arts organizations are an essential part of the broader community of approximately 1.4 million nonprofit 501(c)(3) organizations, working alongside hospitals, educational institutions, food assistance programs, and the full array of charitable organizations.** In recognition of their benefit to the public good, contributions made to 501(c)(3) nonprofits have been tax-deductible since 1917.
- **Tax policy changes directly impact nonprofit services and U.S. jobs.** With essential support from charitable donations, the nonprofit sector boosts local economies and employs roughly 10 percent of America's workforce. The nonprofit sector contributes \$1.1 trillion in services every year and supports 13.5 million jobs.
- **Under comprehensive tax reform legislation enacted in 2017, taxpayers claiming the charitable deduction are expected to fall by more than half, reducing incentives for charitable giving.** While the initial charitable impulse to give comes "from the heart," history has shown that tax law impacts what, when, and how much donors give.
- **Congress can support increased charitable giving by enacting a Universal Charitable Deduction, available to all taxpayers, whether or not they itemize their returns.** A 2016 study by Independent Sector found that 88 percent of voters believe we should make it easier for people to deduct charitable contributions from their taxes.
- **Ticket sales and admission fees alone do not come close to subsidizing the artistic presentations, educational offerings, and community-based programming of nonprofit arts organizations.** Approximately 40 percent of financial support for nonprofit performing arts organizations is derived from charitable giving.
- **The nonprofit arts sector relies on charitable gifts from donors across the economic spectrum.** Donations of all sizes add up to an essential investment that enables nonprofit arts organizations to respond to public needs and form community partnerships through education, artistry, economic development, and social service programs.
- **Charitable giving—including giving to the arts—builds civil society.** At a 2011 Senate Finance Committee hearing on tax reform, Sen. Orrin Hatch (R-UT) asked for comments on the public benefits of contributions to nonprofit arts organizations. The dean of the Southern Baptist Theological Seminary said, "It has to do with what it means to form a citizenry that understands what persons are for, that we're not simply economic units. Giving to the arts, giving to religious organizations, giving to charitable organizations really can serve as a workshop of compassion in demonstrating to our fellow citizens that this is not simply a matter of raw power; that we have obligations to one another, not simply at the bureaucratic level of government, but as members of civil society."

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- **Donated works of art are critical to building and maintaining collections at our nation's art institutions.** Deductions for gifts of property worth over \$5,000 require an independent appraisal to ensure proper valuation. Tax reform bills written in both the 113th and the 115th Congress did not propose any changes to the existing deduction or the model enforcement system administered by the IRS.
- **Nonprofit 501(c)(3) organizations should remain protected from partisanship.** Repealing the Johnson Amendment would pressure charitable organizations to take sides in partisan political campaigns and would erode the public trust in organizations that exist to serve community needs.
- **The nonprofit sector is committed to high standards of governance and accountability, and should be protected from unnecessary requirements that divert resources from essential nonprofit services.** As further tax policies are crafted, Congress must ensure that provisions related to nonprofit administration and reporting requirements do not inhibit service to communities.

BACKGROUND

Reaching the Full Potential of the Charitable Deduction: While the comprehensive tax reform law enacted in 2017 preserves the charitable deduction for those who itemize their tax returns, the number of itemizers is expected to fall dramatically as the standard deduction is nearly doubled under tax reform. Charitable giving has been projected to decline by up to \$13 billion per year if only 5% of taxpayers itemize their returns, prompting advocates to seek a "universal charitable deduction" available to non-itemizers. The House and Senate tax reform bills did not include such a provision to safeguard against potential drops in giving, despite interest in both chambers. Senator James Lankford (R-OK) has introduced S. 2123, the [Universal Charitable Giving Act](#), and Rep. Mark Walker (R-NC) has introduced H. R. 3988 the [Universal Charitable Giving Act](#) in the U.S. House of Representatives, which would provide non-itemizers with a tax deduction for charitable giving of up to roughly \$4,000 per individual. Senator Debbie Stabenow (D-MI) and Ranking Finance Committee Member Ron Wyden (D-OR) offered an amendment to create a universal charitable deduction as the Senate Finance Committee considered its bill, which was voted down along with all other amendments offered by minority Committee members. Nonprofit arts organizations, along with the broader nonprofit and philanthropic communities, join together in urging Congress to reinstate and expand tax incentives for charitable giving by creating a universal charitable deduction, available to those who do not itemize their tax returns.

Maintaining Nonprofit Nonpartisanship: The House tax reform bill would have allowed nonprofits supported by tax-deductible contributions to endorse candidates for office, removing the protection in law (called the Johnson Amendment) that prevents nonprofits from being pressured into partisan activity. While repeal was not included in the final tax reform bill, the threat still remains as similar repeal efforts surface in the context of appropriations bills. The broad charitable, religious, and philanthropic communities have come out in strong opposition to repeal of the Johnson Amendment.

Protecting the Public Value of the Arts: Some have suggested that gifts to education, research, cause-related organizations, (e.g., the environment, animal welfare, etc.) and the arts should receive different treatment than do gifts to human services. Setting a hierarchy of charitable causes is detrimental and discriminatory to the arts, and is not supported by the broader nonprofit sector. "The current tax deduction for charitable giving should either be preserved or modified only in ways that will: strengthen incentives to give; respect the freedom of individuals to determine the causes and organizations they participate in and support and treat those choices equitably; and encourage all individuals to give more to communities and causes through charitable organizations." (Independent Sector, 2012.) The nonprofit arts have always been eligible for the charitable

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deduction in keeping with this nation's 100-year old tradition of incentivizing taxpayers to give to causes that they believe will benefit the public good.