

Statement of The Nonprofit Alliance for Submission to the Record –

Committee on Finance Hearing of March 17, 2022 – “Examining Charitable Giving and Trends in the Nonprofit Sector”

Dear Chairman Wyden, Ranking Member Crapo, and Members of the Committee:

We write to you on behalf of our nearly 300 member organizations representing the nonprofit sector urging you to renew and increase the Universal Charitable Deduction.

The Nonprofit Alliance is a broad coalition of charities and firms that serve nonprofit organizations. We share a common purpose to promote, protect, and strengthen the nonprofit sector.

Charitable deductions incentivize giving and encourage individuals to support causes at a higher level than they otherwise would. This enables vital organizations to generate funds necessary to their much-needed mission-focused work.

- The urgent and immediate need is an **extension of the Universal Charitable Deduction for 2022**.
- Then, ultimately, we need the **passage of S. 618** (and its companion House bill H.R. 1704) to renew the Universal Charitable Deduction and increase its cap to one-third of the standard deduction.

Swift enactment of these measures will provide donors with the certainty they need to continue giving, encourage giving as a critical part of our vibrant society, and ensure charities across our nation continue to receive the funds necessary to serve their communities and fulfill their philanthropic missions. As Chairman Wyden has often noted about the deduction, “It’s a lifeline.”

The charitable deduction that is currently available for 2022 is inadequate, as it applies only to those taxpayers who itemize their expenses. Recent estimates suggest only about 12 percent of all taxpayers itemize, yet the nonprofit sector depends on many more individuals to support their causes. This is a missed opportunity to incentivize the other 88% of middle-class American taxpayers.

The temporary Universal Charitable Deduction that was enacted in 2020 and extended through 2021 was a step in the right direction. It democratized charitable giving. In 2020, a year of exceptional challenge and need, individual Americans gave over \$324 billion to charitable causes (Giving USA 2021), generosity that was stimulated by the charitable deduction for *all* taxpayers.

This effective deduction expired at the end of 2021, resulting in uncertainty for some of the most generous Americans and the charities that rely on their donations to deliver vital services to their communities.

With the expiration, charities can no longer use the universal charitable deduction as an incentive for their donors, posting on their websites or including in their mailings that non-itemizers can claim either a \$600 (if married and filing jointly) or \$300 (for single taxpayers) deduction for charitable contributions.

Time is of the essence. The nonprofit sector relies on the deduction as an *incentive* and every day that goes by without a universal deduction is a missed opportunity. Now already in the second half of March, charities have lost nearly three months of 2022 when the deduction could have inspired giving. With shortages in envelopes and other paper products, nonprofits are also facing long lead times, working today in late March on mailings that are not expected to reach potential donors until late June. Without the extension of the Universal Charitable Deduction now, these charities will not be able to make the most of the \$600 and \$300 universal deduction open to non-itemizers.

If Congress does in fact extend the Universal Charitable Deduction retroactive to January 1, 2022, and the extension becomes law, charitable organizations can immediately publicize the existence of the deduction. That can work quickly for websites and social media but not, of course, for mail (which remains a linchpin of most fundraising programs).

We recognize this is very different from the corporate entities that also saw tax deductions expire on December 31, 2021. Most of the corporate provisions could wait to be enacted as late as April 2023 when most companies will file their 2022 tax returns and still enjoy the maximum benefit of the extension (provided Congress follows its customary practice of making the enactment retroactive to January 1, 2022). However, a nonprofit's ability to benefit depends on using the deduction as an incentive now.

Very simply, the nonprofit community does not have the luxury of time on its side. We need the immediate extension of the Universal Charitable Deduction.

We greatly appreciate the strong bipartisan support this legislation has received, led by Senators Lankford and Coons. On the Finance Committee, under the leadership of Senator Lankford, support for S. 618 has been joined by Senators Scott, Stabenow, Cortez Masto, Hassan, and Brown. A total of six members of the Finance Committee and in aggregate 16 Senators – eight Democrats and eight Republicans – have signed onto this important legislation. Clearly this issue is not defined by party and is supported by wide swaths of Americans.

We strongly commend the leadership of these 16 Senators and urge the Senate to join them to renew the Universal Charitable Deduction — and pass S. 618 — as soon as possible.

The Nonprofit Alliance stands ready to offer any and all assistance to get this important measure enacted into law.

Respectfully,

Mark Micali

Vice President, Government Affairs

