



## Incentives for Charitable Giving

**The Challenge:** In 2023, demand for nonprofits' services is at an all-time high, yet costs continue to rise due to inflation. Record numbers of people across the country are seeking help at food banks, crisis assistance centers, affordable housing providers, community health centers, domestic violence agencies, consumer credit counseling services, and other nonprofits. The needs in our communities are far greater than what governments can address alone. Congress should empower millions more taxpayers to help solve these challenges by donating more to the work of charitable organizations in their communities.

At the same time, private fundraising is getting harder for nonprofits. The number of people giving back to their communities has plummeted since 2002, when about two-thirds of American households made charitable contributions, compared with today's percentage of only half. A recent Fundraising Effectiveness Project report found that, in 2022, the **number of donors to nonprofits dropped by 10.0%** and that the **total amount of charitable contributions dropped by 1.7%** in a year when nonprofits' operational costs increased significantly due to inflation. More than 70% of nonprofits anticipate that giving will decline or remain flat in 2023.

An infusion of private giving is essential to help nonprofits continue to operate and provide essential services. Otherwise, nonprofits' will need to cut back on services, and more North Carolinians will have to look to government to meet their basic needs.

The Federal Reserve's latest survey of entities serving low- to moderate-income communities found charitable nonprofits need additional resources to meet the public's demand for services. Seventy percent of responding nonprofits reported an increase in demand for services over the past

### Legislative Solution

#### The Charitable Act

(S. 566/H.R. 3435)

- Establishes a universal (non-itemizer) charitable deduction for 2023 and 2024.
- Caps the deduction at one-third of the standard deduction (roughly \$4,600 for individuals and \$9,200 for couples).

year, while only 45% said they can meet most of their demand. Compounding these challenges, inflation has eroded the ability of organizations to afford their existing levels of operations, much less expand them to meet the growing need.

Without a change in policy, these trends will continue to weaken the ability of charitable organizations to serve their communities.

**Legislative Solution:** Congress can help alleviate some of the funding difficulties the sector is facing by enacting the **Charitable Act**. This bipartisan, bicameral legislation would create a universal charitable deduction for the 2023 and 2024 tax years with caps of roughly \$4,600 for individuals and \$9,200 for couples. This would incentivize giving to the work of charitable organizations in local communities, encourage taxpayers to give more to the missions they support, and effectively reduce demands on government services.

### The Ask

Will you cosponsor the **Charitable Act** (H.R. 3435/S.566) and urge your leadership to include the legislation in any tax bills moving through Congress?