



TAX POLICY

ENCOURAGING CHARITABLE GIFTS TO SUPPORT COMMUNITY ACCESS TO THE ARTS

ACTION NEEDED

We urge Congress to:

- **Preserve incentives for charitable giving by protecting the full scope and value of the tax deduction for all forms of charitable gifts.**
- **Ensure that changes made under tax reform will encourage more giving by more Americans.**

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. Limiting the value of the charitable deduction would endanger a tradition of charitable giving unmatched in the world.
- **Support from donors across the economic spectrum enables nonprofit arts organizations to respond to public needs and form community partnerships through education, artistry, economic development, and social service programs.**
- **Diminishing charitable giving incentives will have lasting, harmful consequences for 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.
- **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.
- **Proposed changes to the charitable tax deduction would reduce giving, limiting core services and public access.** 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. A 2016 study by the American Enterprise Institute found that President Trump's proposal to limit itemized deductions to \$100,000 for singles and \$200,000 for joint filers could cause giving to decline by \$17.6 billion in the first year.
- **Charitable giving incentives do not enrich individual donors: they are an investment in the public good.** Charitable giving incentives encourage donors to give more, benefiting the millions of Americans who access services provided by nonprofit organizations.
- **The public consistently supports the charitable deduction.** 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. A public opinion poll commissioned by the United Way found that most Americans (79 percent) believe reducing or eliminating the charitable tax deduction would have a negative impact on charities and the people they serve.

- **Donated works of art are critical to building and maintaining collections at our nation's art institutions.** The House Ways and Means Committee in the previous Congress looked extensively at gifts of art and did not propose any changes to the existing deduction or the enforcement system administered by the IRS.
- **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 proposals for comprehensive tax reform are written, Congress must ensure that provisions related to nonprofit administration and reporting requirements do not inhibit service to communities.

TALKING POINTS (CONTINUED)

- **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."

BACKGROUND

Preserving the Charitable Deduction: As the debate surrounding comprehensive tax reform and deficit reduction continues, multiple proposals to curtail or eliminate the income tax deduction for gifts to 501(c)(3) organizations have been offered, and an array of tax proposals are still being drafted. President Obama's budget proposals have previously sought to decouple the value of tax deductions from income tax rates—capping all deductions, including the charitable deduction, at 28 percent for individual taxpayers in the top three tax brackets. Congress has previously rejected these proposals, and key policymakers, including House Speaker Paul Ryan (R-WI), have objected to the proposed cap on the charitable deduction. A 2014 tax reform proposal introduced by then House Ways and Means Committee Chairman Dave Camp (R-MI) suggested imposing a floor of 2 percent of adjusted gross income. President Trump has proposed setting a cap on all itemized deduction at \$100,000 for individual filers and \$250,000 for joint filers. Any of these changes would lead to decreased giving.

On January 23, 2014, Sens. John Thune (R-SD) and Ron Wyden (D-OR) along with 31 other Senators sent a bipartisan letter to the Senate Finance Committee, calling for preservation of the full value and scope of the charitable tax deduction. Congress recognized the value of charitable giving by taking action in 2015 to make the IRA Charitable Rollover provision permanent with passage of the *Protecting Americans from Tax Hikes* (PATH) Act. Nonprofit arts organizations, along with the broader nonprofit and philanthropic communities, join together in urging Congress to protect tax incentives for charitable giving, and recommend that Congress expand the charitable deduction to make it available to those that do not itemize their tax returns.

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 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.