

## Requested Statutory Change

We request support for the Bipartisan Charitable Giving Act—U.S. Senate Bill S.566 and U.S. House Bill H.R.3435—sponsored in the Senate by Sen. James Lankford (R-OK) and Sen. Chris Coons (D-DE), and in the House by Rep. Blake Moore (R-UT) and Rep. Danny Davis (D-IL).

This legislation proposes a tax code policy amendment to 26 U.S. Code Section 170 (“Charitable, etc., contributions and gifts”) by amending Section 170 of the Internal Revenue Code. Specifically, the bill would allow a universal above-the-line deduction for charitable contributions for all taxpayers, including those who do not itemize deductions.

## Issue Summary

Following the passage of the 2017 Tax Cuts and Jobs Act, which significantly increased the standard deduction, the percentage of Americans who itemize their tax deductions plummeted from about 30% to less than 10%<sup>1</sup>. This sharp reduction in itemizers has led to a \$29 billion decrease in reported charitable giving by individual taxpayers, according to the National Philanthropic Trust’s 2022 analysis.

To address this decline and reinvigorate philanthropic support for nonprofits, the Bipartisan Charitable Act proposes to expand the tax deduction for charitable contributions. By making this deduction available to more taxpayers, the legislation is expected to boost charitable giving and provide nonprofits with additional resources to deliver critical services to communities nationwide. The Act would particularly benefit small nonprofits that rely on individual donations, help expand civic engagement through increased philanthropic participation and help prevent the long-term erosion of donor involvement in charitable causes.

## Full Detailed Background

In response to the economic challenges faced by nonprofits due to the COVID-19 pandemic, Congress temporarily created a \$300 (or \$600 for married couples filing jointly) above-the-line charitable deduction as part of the CARES Act in 2020. This provision allowed individuals who took the standard deduction—rather than itemizing—to receive a federal tax benefit for their charitable contributions, marking a significant expansion of giving incentives for millions of Americans. However, this provision expired at the end of 2021, once again leaving most taxpayers without a federal tax incentive for charitable donations.

Analysis of IRS data and research from the Indiana University Lilly Family School of Philanthropy in 2023 demonstrated that the temporary deduction was associated with a measurable increase in small-dollar donations and greater participation in charitable giving among households earning less than \$100,000. This highlights the effectiveness of such incentives in broadening the donor base and encouraging everyday giving. Despite these positive results, the expiration of the deduction has re-established a gap in access to tax benefits for charitable giving: while itemizers, who are often wealthier, still receive incentives, over 85% of U.S. households now take the standard deduction and currently receive no federal tax benefit for their donations.

Bipartisan support for this policy has remained strong since at least 2019, with lawmakers recognizing the importance of encouraging charitable giving across all income levels. The most recent legislative effort,

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<sup>1</sup> National Philanthropic Trust, 2022



## Bipartisan Charitable Giving Act

the Charitable Act (S.566/H.R.3435), has attracted endorsements from major nonprofit organizations, including United Way Worldwide, the National Council of Nonprofits, Independent Sector, the Evangelical Council for Financial Accountability, Jewish Federations of North America, and Catholic Charities USA. These groups highlight the need to restore and expand access to charitable tax incentives, especially for those who do not itemize.

Public sentiment also strongly favors reinstating the universal charitable deduction. A 2022 poll by Independent Sector found that 84% of Americans support bringing back this deduction, reflecting widespread recognition of its positive impact on both individual giving and the broader nonprofit sector. The ongoing bipartisan momentum and broad public support underscore the potential for this policy to once again boost charitable participation and help sustain essential community services.

### **Benefits/Expected Outcome**

By boosting giving from both every day and uncommon donors, this initiative helps to broaden the base of charitable support, encouraging more people to participate in philanthropy regardless of their financial means. It provides vital support to nonprofits of all sizes—ranging from large, established organizations to smaller, community-based groups—that deliver essential services to their communities. With over 1.5 million nonprofits in the United States potentially impacted, the initiative promises to make a significant difference in the sector as a whole.

Additionally, this approach grants all taxpayers access to the same tax benefits for charitable giving that are currently available mainly to those in higher tax brackets. This levels the playing field, making it easier and more rewarding for everyone to contribute to causes they care about. Ultimately, the initiative is designed to generate a high community impact at a relatively low cost, ensuring that every dollar invested in charitable giving goes further toward strengthening communities and improving lives.

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### **Point of Contact**

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