Congress Should Restore / Expand Universal Charitable Deduction (UCD)

Timeline

- 2017: Tax Cuts and Jobs Act (TCJA) raised standard deduction to $12,000/$24,000.
- 2018-19: # of filers who itemize and take charitable deduction significantly lower than pre-TCJA levels.
- 2020: In response to COVID-19 pandemic, Congress enacts $300 universal charitable deduction; the average deduction under UCD is $256; estimated 33% increase in gifts of $300 occurred on Dec. 31, 2020 – the exact amount of the UCD.
- 2021: Congress extends the availability of UCD through 2021, increases cap to $600 for joint filers; early 2021 data show that on 12/31/21 individual gifts of exactly $300 increased 7% compared to 2019, and gifts of exactly $600 increased by 5%, showing extending UCD encouraged repeat behavior.
- 2022: Nonprofits beginning to experience negative impact of expiration of UCD on 12/31/21; Q1 2022 showed significant drop in small donations with -15% in gifts less than $100 compared to Q1 2021 and -9.9% decrease in gifts $100-500. These decreases far outpace year-over-year decreases for larger gifts, while giving among the highest income levels simultaneously becomes more concentrated.

Key Findings and Recommendations

Data suggest UCD motivates more taxpayers to donate more income compared to standard deduction. Every $1 of UCD tax benefit delivers ROI of $2.50 in community based services. 88% of taxpayers do not itemize their tax return, so a universal deduction is necessary to incentivize charitable giving in 2022 and beyond. Supporting a universal deduction allows all taxpayers, including those earning less, to participate in giving, which is a fundamental part of a healthy democracy.

Congress should restore and expand the universal deduction to combat anticipated declines in charitable giving by enacting H.R. 1704 / S. 618 as soon as possible and before 12/31/22.

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2 CARES Act, HR 748
3 Consolidated Appropriations Act of 2021, HR 133
4 https://charitablegivingcoalition.org/universal-charitable-deduction/
5 Fundraising Effectiveness Project
6 2022 First Quarter Fundraising Report
7 https://charitablegivingcoalition.org/universal-charitable-deduction/