

The Charitable Act [H.R. 3435](#) / [S. 566](#)

The Charitable Act

- IL Sponsors: Darin LaHood (R-16), Danny Davis (D-7), Brad Schneider (D-10)
- Adds non-itemizer charitable deduction of up to 1/3rd of standard deduction (~\$4,600 / \$9,200 individual / joint) in 2023-2024

Background

Illinois' nonprofit sector comprises 11% of the state's economy. The sector relies on charitable donations as a source of unrestricted capital and general operating dollars to support their missions and workforce. Prior to 2017, for over 100 years, a federal universal charitable deduction (UCD) in some form has incentivized donors to give. **In 2017, the UCD was eliminated when the standard deduction went into place.** In 2020, the CARES Act restored a \$300 UCD, and in 2021, the Congress extended the \$300 deduction for another year and increased it

\$600 for joint filers. Over 42 million households utilized the UCD in 2021, contributing \$10.9 billion nationwide,¹ and [more taxpayers made gifts of \\$300 and \\$600 in 2020 and 2021 than in previous years.](#)²

Rationale

For tax year 2022 and 2023, there is no charitable deduction for non-itemizers.

Unsurprisingly, charitable donations are down. In 2002,

67% of American households made charitable contributions, today only half do.³ In 2022, charitable giving experienced the largest year-over-year decline (10%) and only the 3rd such decline since this data has been collected.⁴ **Meanwhile, demand for services and costs are up.** In the Federal Reserve's latest survey of entities serving low- to moderate-income communities, 70% of responding nonprofits reported an increase in demand for services over the past year, while only 45% said they can meet most of their demand.⁵

Equity Note

In 2023 Forefront survey, organizations led by Persons of Color were:

- More likely to experience a decline in individual donors (38%) compared to 23% overall
- Report significant decreases in both the # of donors and the size of donations among all types of organizations.

In Illinois

In a 2023 Forefront Survey, among all foundations and nonprofits in IL:

- 23% reported a decrease in the # of donors in the previous five years and
- 17% reported a decrease in the average gift size in the previous 5 years.

Among operating nonprofits only:

- These patterns intensified, with almost 1/3rd (29%) reporting fewer donors, and
- Over 1/5th (22%) reporting smaller average gifts.

UCD is Popular with Voters

A recent [Independent Sector poll](#) found that 87% of voters support restoring the charitable deduction, and 53% of respondents said they'd give more to charity if they were able to claim a charitable deduction for it.

¹ IRS, *Preliminary Data for Tax Year 2020*

² Fundraising Effectiveness Project (FEP)

³ See "Donor Participation" in [Giving Dashboard](#), Urban Institute, updated Dec. 2, 2022.

⁴ [Quarterly Fundraising Report](#), 2022 Year-to-Date Nonprofit Sector Trends, Fundraising Effectiveness Project, April, 2023.

⁵ [Perspectives from Main Street](#), Nishesh Chalise, Violeta Gutkowski, and Heidi Kaplin, Fed Communities, Nov. 15, 2022; Consumer Price Index News Release, U.S. Bureau of Labor Statistics, May 10, 2023.

