OPERA AMERICA

CHARITABLE GIVING POLICY:
ENCOURAGING CHARITABLE GIVING AND SUPPORTING PUBLIC ACCESS TO THE ARTS

ACTION NEEDED

We urge Congress to:

- Enact the Universal Giving Pandemic Response and Recovery Act (S. 618/H.R. 1704) to expand and extend the universal charitable deduction that encourages all taxpayers to give more during these challenging times and as the nation recovers and rebuilds.
- Enact the bipartisan, consensus retirement reform package — Securing a Strong Retirement Act in the House and Enhancing American Retirement Now (EARN) Act in the Senate — which includes the Legacy IRA Act. The text of the Legacy IRA Act can be found in H.R. 2909.

TALKING POINTS

- **Arts organizations classified as 501(c)(3) nonprofit charities are an essential part of the broader community of approximately 1.6 million 501(c)(3) organizations, 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.
- **Tax policy changes directly impact services and U.S. jobs.** With essential support from charitable donations, the 501(c)(3) sector boosts local economies by employing roughly 10 percent of America's workforce, supporting 11.4 million jobs, and contributing more than $1 trillion in services every year.
- **Ticket sales and admission fees alone cannot come close to generating the funds required to support artistic presentations, educational offerings, and community-based programming of 501(c)(3) arts organizations.** Before the onset of the pandemic, approximately 40 percent of financial support for performing and visual arts organizations was derived from charitable giving.
- **The 501(c)(3) arts sector relies on charitable gifts from donors across the economic spectrum.** Donations of all sizes add up to an essential investment that enables charitable arts organizations to respond to public needs and form community partnerships through education, artistry, economic development, and social service programs.
- **Under comprehensive tax reform legislation enacted in 2017, the number of taxpayers claiming the charitable deduction declined.** The drop in the number of taxpayers claiming the charitable deduction accelerated an already troubling trend of fewer Americans making charitable donations. While the initial impulse to give comes

"from the heart," history has shown that tax law impacts what, when, and how much donors give.

- **Through the 2020 CARES Act, Congress enacted a $300 charitable deduction for cash gifts from all taxpayers for 2020, whether or not they itemize their returns. Since then, the amount of charitable giving — especially of gifts less than the $300 cap — has seen a significant increase.** This Universal Charitable Deduction was extended through 2021 and the cap was raised to $600 for joint filers, but it expired at the end of 2021. While it was in effect, the amount of charitable giving — especially of gifts less than the $300 cap — saw a significant increase. Congress can support increased charitable giving by expanding and extending the Universal Charitable Deduction.
- **2021 data indicates that giving is not keeping up with inflation, at a time when charitable services are in high demand.** A Giving USA report released in June 2022 shows that while total 2021 giving reached $484.85 billion, up 4 percent compared to 2020, when adjusted for last year's inflation rate, total giving decreased by 0.7 percent.
- **The Legacy IRA Act can increase charitable donations by building on the success of the IRA Charitable Rollover provision.** The IRA Charitable Rollover provision allows individuals to make direct tax-free charitable gifts up to $100,000 from their IRA starting at age 70½. The Legacy IRA Act would index the IRA Rollover cap to inflation and allow IRA charitable distributions to certain types of annuities and planned giving vehicles.
- **The charitable 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 further tax policies are crafted, Congress must ensure that provisions related to nonprofit administration and reporting requirements do not inhibit service to communities.

BACKGROUND

Reaching the Full Potential of the Charitable Deduction

While the comprehensive tax reform law enacted in 2017 preserves the charitable deduction for those who itemize their tax returns, the number of itemizers fell dramatically as the standard deduction was nearly doubled.

501(c)(3) nonprofit arts organizations, along with the broader charitable and philanthropic communities, have joined together in urging Congress to reinstate and expand tax incentives for charitable giving through a universal charitable deduction, available to those who do not itemize their tax returns. The Center for Civil Society Studies at John Hopkins University estimates around 930,000 jobs — 7.3% of the charitable sector workforce — were lost in 2020, underscoring how difficult the year was for the philanthropic sector. Congress can help alleviate some of the difficulties the sector is facing by enacting the Universal Giving Pandemic Response and Recovery Act (S. 618/H.R. 1704) led by a bipartisan, bicameral group of lawmakers, including Sens. James Lankford (R-OK), Chris Coons (D-DE), Mike Lee (R-UT), Jeanne Shaheen (D-NH), Tim Scott (R-SC), Amy Klobuchar (D-MN), Susan Collins (R-ME), and Catherine Cortez Masto (D-NV), and Reps. Chris Pappas (D-NH) and Jackie Walorski (R-IN). The legislation would raise the $300/$600 cap to roughly $4,000 for individuals/$8,000 for couples, extend the availability of the deduction to the 2022 tax year, and eliminate the current exclusion of gifts to donor-advised funds, helping to spur even more giving as communities continue to fight and recover from COVID-19 and its economic effects.

Growing Giving Through the Legacy IRA Act

The bipartisan Legacy IRA Act (H.R. 2909), introduced by Reps. Don Beyer (D-VA) and Mike Kelly (R-PA) and championed in the Senate by Kevin Cramer (R-ND) and Debbie Stabenow (D-MI), would expand the IRA Charitable Rollover to allow seniors aged 65 and older to make tax-free distributions to charities through life-income plans, and by indexing the annual cap (set at $100,000 since 2006) to inflation. This would help provide a guaranteed income for the senior for life and support charities without negatively affecting federal tax payments since the senior's annual retirement income from the life-income plan is fully taxed. The House Ways and Means Committee and the Senate Finance Committee incorporated H.R. 2909 into the retirement reform bill, which both committees have adopted unanimously.

This issue brief was prepared by the Cultural Advocacy Group, a collaboration of arts and culture stakeholders working collectively to advance federal policy.