



Tough Questions, Easy Answers

What is the Charitable Deduction for Non-Itemizers?

The Charitable Deduction for Non-Itemizers will allow all taxpayers to deduct their charitable contributions from their taxable income and give them a powerful incentive to make charitable contributions or increase their current giving. Currently, only taxpayers who itemize their deductions are recognized for their charitable contributions at tax time.

Who benefits from the non-itemizer charitable deduction?

The 85 million Americans (about 2/3 of all taxpayers) who take the standard deduction would receive an immediate tax break if they make charitable contributions. This includes people of all ages who do not own their own homes, as well as older Americans who no longer pay interest on a home mortgage. The biggest beneficiaries of this proposal will be the people who rely on the expanded services nonprofit organizations could provide through increased charitable contributions.

How much impact would the non-itemizer deduction have on charitable giving?

An analysis of data from the *IRS Statistics on Income Bulletin* (Spring 2000) shows that **regardless of their income** level, taxpayers who receive a deduction for their charitable contributions give considerably more to charity than those who do not receive a deduction. Every year, taxpayers who itemize their deductions receive a tangible reminder that their gifts count and that continuing to give or increasing the size of their gifts will make a difference in their final tax bill. Extending the deduction for charitable contributions to all taxpayers could increase giving by as much as **\$14 billion per year**, an 11% increase, according to a recent study by PricewaterhouseCoopers.

Would this plan encourage giving by those who have not given before?

Yes. The recent PricewaterhouseCoopers study projects that this new tax incentive would prompt 11 million taxpayers to begin to make charitable gifts—the first step to a lifelong habit of giving back to the community.

What types of charitable organizations would benefit from the increased giving?

Any nonprofit organization that relies on contributions from taxpayers at all income levels would benefit from the charitable contributions incentive. While religious organizations and community-based human service providers tend to receive a greater portion of gifts from individuals, colleges and universities would use this incentive to encourage giving by recent alumni who do not yet itemize deductions and a wide range of other nonprofits could benefit from new or increased giving by young and old taxpayers who do not itemize tax deductions.

Doesn't the standard deduction already include an amount for charitable giving?

Congress has never stipulated that the standard deduction includes a provision for charitable giving. In fact, from 1981 to 1986, taxpayers who claimed the standard deduction were allowed to take a separate deduction for their charitable contributions. Since that provision was allowed to sunset in 1986, taxpayers who claim the standard deduction do not receive a tax incentive to make charitable contributions.

Where does the Charitable Deduction for Non-Itemizers fit in the overall tax reduction package?

Congress is currently considering a wide variety of ways to reduce taxes in 2001. According to the Office of Management and Budget, the President's proposal to extend the charitable contributions deduction to all taxpayers would provide \$52 billion in tax relief over 10 years. This modest tax reduction would be targeted primarily to low- and middle-income taxpayers who make up the majority of non-itemizers.

Wouldn't the Charitable Deduction for Non-Itemizers be difficult for the I.R.S. to administer?

No. The I.R.S. has rules in place that stipulate the documentation a taxpayer is required to have in order to claim a charitable contribution deduction and language that clarifies which contributions are deductible. Extending the charitable deduction to non-itemizers would simply require adding a new line on the Form 1040-EZ and providing these simple instructions for charitable contribution deductions to EZ filers.

Some proposals suggest that taxpayers should only be able to deduct contributions that exceed a specific minimum or floor. How would that work?

Requiring a minimum level of contributions taxpayers would have to reach before they could begin to deduct their giving would significantly reduce the tax incentive for new giving. The recent PricewaterhouseCoopers study cited earlier found that requiring a \$500 minimum, or "floor," would only stimulate \$3.7 billion in additional giving as compared to the \$14.6 billion increase that would result if there were no floor. Requiring a floor would also put this deduction out of the reach of lower-income taxpayers and new givers.

What is The Coalition to Help America Give?

The Coalition to Help America Give is a nonprofit, non-partisan coalition of many of America's leading charities, religious organizations of all faiths, and community-based organizations, collectively representing millions of donors, volunteers, and communities served in every state across the nation. We have joined forces to urge Congress to allow all Americans to deduct their charitable deductions at tax time.

For more information or to get involved, please visit us on the web at www.HelpAmericaGive.org.

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