



# The Charitable Act Would Boost Donations by \$40 Billion a Year

## Key Points

- The Charitable Act would provide non-itemizers a tax deduction for charitable contributions up to one-third of the standard deduction in 2026 and 2027.
- We estimate the deduction would increase charitable contributions by non-itemizers by approximately \$40 billion a year, which would be a seven percent annual increase over the \$557 billion donated in 2023.
- The cost of the legislation in foregone tax revenue would be \$16 billion a year for 2026 and 2027.
- Providing a more limited charitable deduction for non-itemizers of \$1,000 (for couples filing jointly-\$500 for all other filers) would increase donations by about \$11 billion per year and cost \$3-\$4 billion per annum.

## The Tax Incentives for Donating to Charity

The steep increase in the standard deduction in the 2017 Tax Cut and Jobs Act (which is \$30,000 for a married couple filing jointly and \$15,000 for all other tax filers in 2025) effectively eliminated any tax incentive for charitable giving for millions of households, as only those who itemize can deduct their contributions from taxable income. Today, less than ten percent of tax filers itemize.

Predictably, charitable donations declined by 23 percent when it took effect in 2018, and remained below the long-term trend for donations in subsequent years.

In 2020, the CARES Act gave taxpayers who do not itemize a \$300/\$150 deduction for charitable contributions and a \$600/\$300 deduction in 2021. Charitable donations *by non-itemizers* increased by \$15 billion in 2020 (an eight percent increase) and \$59 billion (a 29 percent increase) in 2021. Figure One shows the amount of charitable giving by non-itemizers in the last decade.

**Figure One: Total Charitable Contributions from all U.S. Nonitemizing Taxpayers**





## Conclusion

Allowing taxpayers who do not itemize to deduct up to \$10,000 of charitable donations from their adjusted gross income would significantly boost charitable donations, and the resulting donations would greatly exceed the modest diminution of tax revenue that would result.

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## Appendix: Methodology Notes

### A. Effect of Charitable Act on Total Charitable Giving

The data on total U.S. charitable giving from GivingUSA show charitable giving dropped after the passage of the increased standard deduction in the TCJA and spiked in 2020 and 2021, when Congress provided a charitable deduction for non-itemizers.

We assume that the 2020-2021 change in the tax code for charitable giving accounted for 15% of the donation increases in those years, based on research from Ricco & Paulson. The proposed changes in the Charitable Act would be more than ten times the size of the 2020-2021 deductions, and we estimate the Act would generate a response five times the size of what resulted from the 2020-2021 changes. Given charitable contributions were \$557 billion in 2023, the Act would generate about \$40 billion of additional giving per annum.

### B. Demographic trends in charitable giving

The demographic data on charitable giving come from the IRS Statistics of Income, Tables 2.1 and 2.6, *Returns with Itemized Deductions by Age and by Adjusted Gross Income*. These data show the time series of cash and non-cash donations by age and income cohort of itemizers.

### C. Microsimulation cost estimates

Our cost estimates come from the Tax-Calculator open source microsimulation model of federal individual income tax policy. We use the source data for household composition and income from the Internal Revenue Service 2015 Public Use File, augmented by the tax-microdata- benchmarking open source data augmentation package.

## References

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