



# UNIVERSAL CHARITABLE GIVING INCENTIVE

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### Philanthropy Northwest's Position

We support a universal charitable incentive that enhances giving more effectively across a wider, diverse base of donors covering the income spectrum. This will provide more charitable resources to communities.

### Background

Charitable giving is declining among lower- and middle-income households, reducing funding available for charities to serve communities. One potential factor is the charitable deduction, which only serves the 10% of mostly high-income households who itemize taxes. The deduction is also tied to income tax brackets, so lower- and middle-income households would get much smaller deductions per dollar anyway. Additionally, the deduction likely reduces public revenue more than it gains in charity because it mostly rewards lower levels of giving that people were already making. Expanding the incentive into a universal charitable deduction has similar drawbacks.

**Philanthropy Northwest urges policymakers to consider a charitable incentive that is more cost-effective and accessible to donors.** Tax policy experts align on several potential fixes that could be used in tandem.

- A universal charitable **credit** can provide a flat discount on every dollar someone donates, making it the same for all income levels. For example, a 25% credit gives people of all incomes 25 cents back per dollar donated.
- A small income-based **floor** would act as a minimum threshold before the incentive takes effect, saving revenue while encouraging more giving. For example, a 2% floor requires a donor to give over 2% of their income to start receiving the incentive.
- An **extra incentive** for donors with no federal income taxes would help reach lower-income donors, including many workers, students and retirees.

Philanthropy Northwest represents funders and nonprofit associations across the region. Our organization can be a partner in continuing conversations as Congress considers changes to the charitable deduction.

