Charitable Giving

Request

- Along with the broader charitable community, we urge Congress to enact a universal charitable deduction so that all Americans can deduct their donations to charity, regardless of whether or not they itemize their taxes.
- We oppose proposals that would restrict the deductibility of gifts of property, which are critical to museums' ability to develop their collections.
- We oppose weakening current tax law provisions—sometimes known as the Johnson Amendment—prohibiting nonprofit charities from endorsing, opposing, or contributing to political candidates.
- We support allowing artists to deduct the fair market value of donated works, as specified in the Artist-Museum Partnership Act (H.R. 1830, S. 1174).

Introduction

Nonprofit museums are an essential part of the broader community of nonprofit organizations, working alongside hospitals, educational institutions, food assistance and housing programs, foundations, and other charities. In recognition of their benefit to the public good, contributions made to 501(c)(3) nonprofits have been tax-deductible for over 100 years. This tax structure has helped establish a tradition of charitable giving unmatched in the world.

Deductibility of Charitable Gifts

- Charitable giving is the lifeblood of museums of all sizes and disciplines; it accounts for more than one-third of their operating funds. With spending constraints at all levels of government, reduced donations of either property or funds could significantly damage many museums' budgets.
- Studies indicate that many factors influence giving—incentives such as tax deductions among them. While Americans do not make charitable gifts only for tax reasons, tax incentives encourage and enable greater generosity.
- By dramatically reducing the number of people who claim the charitable deduction, the 2017 tax reform law will eliminate billions of dollars in donations to museums and other charities each year.
- Simplification of the tax code is a worthy goal, but its impact on charitable giving should be mitigated. A universal charitable deduction would help museums and other nonprofits attract support that allows them to continue to serve their communities in unique ways.
- The Universal Charitable Giving Act (H.R. 3988, S.2123) would allow taxpayers claiming the standard deduction to also deduct charitable contributions of up to roughly $4,000 per individual. The Charitable Giving Tax Deduction Act (H.R. 5771) would do the same with no cap.
- In addition to lost charitable services, education programming, and collections care, a decline in giving will hurt American jobs. The nonprofit sector boosts local economies, employing roughly 10 percent of the workforce. Museums alone support more than 726,000 jobs.

- Deductions for gifts of property worth over $5,000 require an independent appraisal to ensure proper valuation. Tax reform bills written in both the 113th and the 115th Congress did not propose any changes to the existing deduction or the model enforcement system administered by the IRS.

Nonprofit Nonpartisanship

- The protection of nonprofit nonpartisanship was signed into law by President Eisenhower in 1954. It is a cornerstone principle that has strengthened the public's trust of the charitable community.
- Weakening this protection by allowing charities to endorse candidates for public office and engage in partisan electioneering activities would damage the integrity and effectiveness of all nonprofits.
- Charitable nonprofits, including museums, are already free to speak out on current issues, advocate on public policy, and engage in nonpartisan election activity.

Status

Although comprehensive tax reform legislation enacted in 2017 (PL 115-97) preserved the charitable deduction, it made other changes to the tax code that dramatically reduce the number of Americans who are eligible to claim it. Specifically, the legislation eliminated many itemized deductions and nearly doubled the standard deduction, causing the percentage of households that itemize their tax return to decline from 30 percent to just 5 percent. Research from the Indiana University Lilly Family School of Philanthropy found that these changes alone would reduce annual giving from households by at least $13 billion. The House-passed version of tax reform contained language that would have greatly weakened the protection of nonprofit nonpartisanship, but this language was ultimately not included in the final legislation.

Artist-Museum Partnership Act

- Artists, writers, scholars, choreographers, and composers—many of whom earn very little—have almost no financial incentive to donate their works, because they cannot claim a tax deduction for the works' fair market value. Rather, they can deduct only the value of materials like paper, ink, paint, and canvas. As a result, works of great significance are sold into private hands and may never come into the public domain.
- Small and mid-sized museums—which often do not have the same financial resources as larger institutions—especially rely upon donations from creators to build and enhance their collections.
- For many years, creators were allowed to take a fair market value deduction for donated works. When Congress changed the law in 1969, the effect was immediate and drastic: donations of self-created works to some museums declined by more than 90 percent.

Status

The Senate has passed artist deduction legislation five times in previous years, but the bills have not been reviewed by the House of Representatives. The Artist-Museum Partnership Act would provide a deduction equal to appraised fair market value for charitable contributions of literary, musical, artistic, or scholarly compositions created by the donor, provided that the recipient organization uses the work in a manner related to its charitable mission.