



## Tax Policy

### Request

We urge members of Congress to:

- cosponsor legislation establishing a universal charitable deduction (H.R. 1260; H.R. 651), allowing taxpayers to deduct their charitable contributions, regardless of whether they itemize.
- cosponsor legislation to repeal the new Unrelated Business Income Tax (UBIT) on expenses that charities incur in providing transportation fringe benefits to employees (H.R. 1223; H.R. 513/S. 1282; S. 632).
- cosponsor the Artist-Museum Partnership Act (H.R. 1793), which would allow artists to claim a fair market value deduction when they donate their own work to a collecting institution.
- cosponsor the Legacy IRA Act (H.R. 3832/S. 1257), which would broaden the IRA Charitable Rollover, allowing individuals to make tax-free distributions to planned giving accounts as well as to charities.

### Introduction

Museums are part of the broader community of 501(c)(3) charities alongside hospitals, universities, social and human services, and many others. In recognition of their public benefit, contributions to charities have been tax-deductible for over 100 years, helping to maintain a tradition of charitable giving unmatched in the world. Americans make charitable gifts for altruistic reasons, but tax policy can incentivize greater generosity. With the recent doubling of the standard deduction, only about ten percent of taxpayers now have access to the charitable deduction.

### Deductibility of Charitable Gifts

- Charitable giving is the lifeblood of museums of all sizes and disciplines, accounting for more than one-third of their operating funds and up to eighty percent of their collections. Reduced donations could significantly damage many museums' capacity to serve their communities.
- The Lilly Family School of Philanthropy found that the percentage of Americans who give has fallen by 11 percent over the past 14 years—from 67 percent in 2002 to just 56 percent in 2014—threatening the strength and vibrancy of our country's civil society.
- The Giving USA 2019 report found that charitable giving by individuals dropped an inflation-adjusted 3.4 percent in 2018 during a period of positive economic growth. Nearly every type of recipient organization – from religion to education to human services – saw giving decline or remain flat, including an inflation-adjusted 2.1 percent decrease in private sector giving to the arts, culture, and humanities—by individuals, foundations, and corporations.
- According to the Fundraising Effectiveness Project, fundraising and the number of donors plunged during the first six months of 2019 when compared to the same period of 2018. Overall, the number of donors declined 5.8 percent with a corresponding drop in revenue of 7.3 percent. It is unprecedented for such a drop to occur during a time of economic growth.



- H.R. 1260 and H.R. 651 would allow taxpayers claiming the standard deduction to also deduct charitable contributions, thus increasing the number of donors and the total amount given allowing museums to better serve their communities.

### **Unrelated Business Income Tax (UBIT) on Parking and Transportation Benefits**

- A provision of the 2017 tax reform act requires charities to pay UBIT on expenses incurred in providing transportation benefits to employees. We believe it makes no sense, and the IRS has agreed, to equate expenses to income. Thousands of charities, including museums, that otherwise have no unrelated business income are being forced to pay, and to file returns, for the first time.

### **Deductibility of Artist Gifts**

- When artists give their own work to a museum, they cannot claim a tax deduction for its fair market value. Rather, they can deduct only the value of materials, such as paint and canvas. As a result, few artists give, and the public is denied access to the best art being produced today.
- When Congress disallowed the artist deduction in 1969, the effect was immediate and drastic: artist donations to some museums declined by more than 90 percent.
- 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.

### **IRA Charitable Rollover**

- Under current law, individuals aged 70.5 and above may contribute up to \$100,000 from their IRA accounts to charity, counting it toward their required distribution but not paying tax on it. The Legacy IRA Act would expand this provision by allowing gifts to planned giving accounts, and by raising the cap.

### **Status**

- Legislation in House (H.R. 1260; H.R. 651) would allow individuals to **deduct contributions regardless of itemizing status**.
- Following widespread outcry, an amendment to repeal the **UBIT on transportation benefits** was included in tax legislation approved by the House, but not the Senate, at the end of the 115th Congress in 2018. Several stand-alone repeal bills have been introduced this year. A full repeal was included in the Economic Mobility Act of 2019 (H.R. 3300) that was approved by the House Ways and Means Committee on June 20 and bipartisan support for repeal continues to build. Several repeal bills have been introduced (H.R. 1223; H.R. 513/S. 1282; S. 632).
- The Senate has passed **artist deduction legislation** five times in previous years, but the bills have not been reviewed by the House. Legislation (H.R. 1793) has been introduced this year the House this year.
- Bipartisan **IRA Charitable Rollover** legislation (H.R. 3832/S. 1257) has been introduced in the House and Senate.