



## Tax Policy

### Request

We urge Congress to:

- cosponsor legislation establishing a universal charitable deduction (H.R. 651, H.R. 1260; H.R. 5293), allowing taxpayers to deduct their charitable contributions, regardless of whether they itemize.
- 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 social and human services organizations, educational institutions, religious congregations, 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, however, only about ten percent of taxpayers now itemize deductions, and multiple measures show that both the amount given and the number of donors have declined.

### 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 would significantly damage museums' capacity to serve their communities.
- The Giving USA 2019 report found that charitable giving by individuals dropped an inflation-adjusted 3.4 percent in 2018, despite a growing economy. Nearly every type of recipient organization saw giving decline or remain flat, including an inflation-adjusted 2.1 percent decrease in private sector giving to the arts, culture, and humanities.
- According to the Fundraising Effectiveness Project, fundraising plunged further during 2019, with the amount given having decreased by 4.6 percent and the number of donors down 3.6 percent compared to 2018. It is unprecedented for such drops to occur during a time of economic growth.
- H.R. 651, H.R. 1260 and H.R. 5293 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 and all other charities to better serve their communities.



### **Deductibility of Artist Gifts**

- When a collector donates a work of art to a museum, they may claim a deduction for its fair market value. When artists give their own work, however, they can deduct only the value of materials, such as paint and canvas. As a result of this unfair treatment, 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, H.R. 1793, 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 the House (H.R. 651, H.R. 1260; H.R. 5293) would allow individuals to deduct contributions regardless of itemizing status.
- The artist deduction legislation (H.R. 1793) has been introduced in the House.
- IRA Charitable Rollover legislation (H.R. 3832/S. 1257) has been introduced in the House and Senate.