



Statement of Laura L. Lott
on behalf of the American Alliance of Museums to the
Senate Finance Committee
Hearing on
Examining Charitable Giving and Trends in the Nonprofit Sector
March 17, 2022

Chairman Wyden, Ranking Member Crapo, and members of the Committee, thank you for the opportunity to submit this statement. My name is Laura L. Lott and I am the President and CEO of the American Alliance of Museums (AAM). Thank you for holding this hearing. We urge Congress to enact a universal charitable deduction, expand the IRA Charitable Rollover, and restore and expand the Employee Retention Tax Credit (ERTC). We also request that Congress restore the 100% AGI cap on individual donations and the 25% income tax cap on corporate donations that expired at the end of 2021.

Representing more than 35,000 museum professionals and volunteers, institutions—including aquariums, art museums, botanic gardens, children’s museums, cultural museums, historic sites, history museums, maritime museums, military museums, natural history museums, planetariums, presidential libraries, railway museums, science and technology centers, and zoos—and corporate partners serving the museum field, AAM stands for the broad range of the museum community.

Before detailing these priorities for the museum field, I want to express my appreciation for Congressional relief for nonprofit charitable organizations, including museums, which helped them cope with and respond to the devastating impact of the COVID-19 pandemic. Early in the pandemic, essentially all museums were closed to the public. 33 percent of directors felt their museums were at some risk of permanent closure without immediate support—a threatened loss of 12,000 museums and 124,000 jobs. While federal relief funding and tax policy provisions have provided critical lifelines, a [recent survey](#) shows attendance remains down 38 percent on average from pre-pandemic levels and 17 percent of directors still feel there is some risk of closing permanently without additional relief.

Museums—the vast majority of which are 501(c)(3) nonprofit organizations—play a key role in education, job creation, tourism, economic development, historic preservation, environmental conservation, and advancing scientific literacy and global competitiveness. They are essential community infrastructure and are part of a vibrant and diverse charitable nonprofit sector. In unity with the broader nonprofit sector, we support the requests in this [coalition letter](#) and urge Congress to strengthen charitable giving incentives to ensure that all nonprofits, including museums, have the resources to serve their communities.

Museums are essential community infrastructure for many reasons:

Museums are economic engines and job creators. According to *Museums as Economic Engines: A National Report*, U.S. museums (pre-pandemic) support more than 726,000 jobs and contribute \$50 billion to the U.S. economy per year. The economic activity of museums generates more than \$12 billion in tax revenue, one-third of it going to state and local governments. For

example, the total financial impact that museums have on the economy in the state of Oregon is \$585 million, including supporting 9,740 jobs. For Idaho, it is a \$228 million impact supporting 3,098 jobs. This impact is not limited to cities: more than 25% of museums are in rural areas. The import of these data is not the numbers alone – but the larger point that museums give back tremendously to their communities in numerous ways – including economically.

Museums are key education providers. Museums spend more than \$2 billion yearly on education activities; the typical museum devotes 75% of its education budget to K-12 students, and museums receive approximately 55 million visits each year from students in school groups. Museums also answered the call and significantly ramped up online educational programs and resources for students and families throughout the pandemic. Museums help teach the state and local curriculum in subjects ranging from art and science to history, civics, and government. Museums have long served as a vital resource to homeschool learners. It is not surprising that in a public opinion survey, 97% of respondents agreed that museums were educational assets in their communities. The results were statistically identical regardless of political persuasion or community size.

Museums will be essential to rebuilding communities as we emerge from the pandemic. During the COVID-19 pandemic, museums across the country have continued contributing to the ongoing education of our country’s children by providing lesson plans, online learning opportunities, and drop-off learning kits to teachers and families. They are using their outdoor spaces to grow and donate produce to area food banks, as well as maintaining these spaces for individuals to safely relax, enjoy nature, and recover from the mental health impacts of social isolation. They provided access to childcare and meals to families of health care workers and first responders, have donated their PPE and scientific equipment to fight COVID-19, and are serving as vaccination centers. Despite the financial and psychological stress caused by the pandemic, museum professionals are filling the gaps to meet the needs of their communities and will be vital to their recovery. Museums are demonstrating the critical role they play in our country’s infrastructure and deepening their social impact in their communities, addressing learning loss, and fostering intra-community trust and dialogue.

Congress Should Enact a Universal Charitable Deduction

Contributions to 501(c)(3) charities such as museums are tax-deductible, incentivizing those who itemize deductions to greater generosity. Only about ten percent of taxpayers now itemize, however, and multiple measures show that both the amount given and the number of donors were declining prior to the pandemic. Giving appears to have increased during the pandemic, especially smaller gifts, due to the temporary provision that allowed people to deduct up to \$300 (\$600 for couples) of charitable gifts even if they do not itemize.

The deductibility of charitable gifts is of fundamental importance for museums. Charitable giving accounts for more than one-third of museums’ operating funds. The CARES Act established a limited and temporary deduction for non-itemizers. Data from various sources shows that after declining in 2019, charitable giving increased following the temporary enactment of a “universal charitable deduction” that allowed everyone to deduct. A universal

charitable deduction democratizes giving by incentivizing all taxpayers to contribute, regardless of income.

We urge the renewal—and expansion—of the universal charitable deduction to make it permanent. Along with other members of the [Charitable Giving Coalition](#), we urge members of the Committee to cosponsor the Universal Giving Pandemic Response and Recovery Act, S. 618, which would renew the universal charitable deduction that expired at the end of 2021 and is a step in the right direction. The legislation would raise the \$300/\$600 cap to roughly \$4,000 for individuals/\$8,000 for couples, renew the availability of the deduction through the 2022 tax year, and make gifts to donor-advised funds eligible for the universal charitable deduction. We applaud the Committee’s cosponsors of S. 618, including Senators Lankford, Cortez-Masto, Scott, Stabenow, Hassan, and Brown.

Expand Existing IRA Charitable Rollover

We support the bipartisan Legacy IRA Act, S. 243, sponsored by Senators Stabenow and Cramer. Currently, 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, raising the cap to \$400,000, and lowering the age to 65. Seniors typically make up more than 40% of the donor base for charities. This bill expands the existing IRA Charitable Rollover, which is the fastest growing area of philanthropy. Recent survey data from FreeWill’s online giving platform found a 390% increase in total IRA Charitable Rollover gifts from 2019 to 2021. A modified version of the Legacy IRA Act was included in the Securing a Strong Retirement Act, H.R. 2954, and we urge the Senate Finance Committee to include S. 243 in a future retirement package.

Retain and Expand the Employee Retention Tax Credit

The ERTC has been a critically important tool for nonprofits, including museums, to be able to rebuild and continue to deliver critical services to the communities that they serve, now and into the future. Moreover, many nonprofit employers had been counting on quarter four 2021 access to the ERTC to support the decisions they have made to bring employees back on the payroll and increase operating capacity to serve their communities. Unfortunately, the Infrastructure Investment and Jobs Act (IIJA) eliminated ERTC for the fourth quarter of 2021, which hurt museums that were planning on this relief.

We urge members of the Committee to cosponsor the bipartisan Employee Retention Tax Credit Reinstatement Act, S. 3625. It retains the ERTC for nonprofits, including museums, and small businesses in the fourth quarter of 2021, allowing organizations to keep critical staff on the payroll to continue meeting community needs. The Act was introduced in early February by Finance Committee Members Senators Hassan, Scott, Warner, Cardin, and non-Committee member Capito. We are grateful for their leadership.

This action to retain the ERTC is supported by the [broad cross-section of the nonprofit sector](#), the third largest employer in the U.S. economy (and the for-profit business community).

Nonprofits, including museums, continue to serve communities across America during the pandemic. Now they need Congress to at a minimum retain this tax policy through at least the 4th quarter. Ideally, Congress ought to extend it throughout 2022 to help ensure a strong economic recovery from the pandemic. Congress can also take action by improving this critical form of promised COVID-19 relief by amending the definition of "gross receipts" under the law to better reflect revenue available to support nonprofits amid the ongoing COVID-19 pandemic.

In closing, I encourage members of the Committee to visit the museums in their states to witness firsthand the positive impact they have on their communities and the importance of charitable giving to their public service missions. Thank you for taking time to hold a hearing on these critical issues and for the opportunity to submit this statement.