

Tax Credit for Charitable Donations Would Help Communities

Nonprofits are concerned that recent changes to the federal tax structure and the COVID-19 pandemic have led to shortfalls in charitable contributions. **State legislators can help ensure that private individuals continue to support the important work of churches and other 501(c)(3) nonprofits by creating a state tax credit for charitable contributions made by non-itemizers.**

Tax incentives for charitable giving help our communities

- In 2017, 33.6 million Americans used the charitable deduction on their taxes, making a total of \$160 billion in itemized charitable contributions. Under the new federal tax structure, with a much higher standard deduction, only 12.2 million Americans used the charitable deduction in 2018, and itemized charitable deductions dropped to a total of \$103 billion.
- On top of this decline in private charitable giving, the widespread closures and cancellations of in-person events have eliminated important sources of earned income (tickets for performances, fundraising galas, charitable fun runs, registration for educational conferences, etc.) during the COVID-19 pandemic. An infusion of private giving is essential to help organizations continue to operate and provide essential services during and after the pandemic.
- Charitable giving is particularly important during the COVID-19 pandemic, when 60% of North Carolina nonprofits are seeing an increase in need and 80% of North Carolina nonprofits are suffering financial losses. Without an increase in donations, nonprofits' will need to cut back on services, and more North Carolinians will have to look to government to meet their basic needs.

A non-itemizer tax credit for charitable contributions would increase giving to churches and other nonprofits

- **The General Assembly can help ensure that nonprofits have the resources required to meet communities' needs by creating a state tax credit for charitable contributions made by taxpayers who use the standard deduction.**
- This state tax credit would complement the temporary federal universal charitable deduction and would create a tax incentive for *all* North Carolinians to give generously to support the work of charitable nonprofits.