



## Tax Credit for Charitable Donations Would Help Communities

*Nonprofits are concerned that charitable contributions have declined in the past five years as nonprofits needs have increased. **State legislators can help ensure that private individuals continue to support the important work of 501(c)(3) nonprofits by creating a state tax credit for charitable contributions made by non-itemizers – essentially a tax cut for generous North Carolinians.***

### Tax incentives for charitable giving help our communities

- In 2022, demand for nonprofits' services is at an all-time high. Record numbers of people across the state are seeking help at food banks, crisis assistance centers, affordable housing providers, community health centers, domestic violence agencies, and consumer credit counseling services.
- At the same time, private fundraising is getting harder for nonprofits. The federal tax law changes that took effect in 2018 mean that fewer than 10% of North Carolinians now use the charitable deduction on their taxes, down from more than 30% of taxpayers previously.
- An infusion of private giving is essential to help nonprofits continue to operate and provide essential services. Otherwise, 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

**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. The following language would be particularly helpful:**

§ 105-153.11. Credit for charitable contributions by nonitemizers.

A taxpayer who elects the standard deduction under G.S. 105-153.5.(a)(1) is allowed as a credit against the tax imposed by this Part an amount equal to ten percent (10%) of the taxpayer's excess charitable contributions. The taxpayer's excess charitable contributions are the amount by which the taxpayer's charitable contributions for the taxable year that would have been deductible under section 170 of the Code if the taxpayer had not elected the standard deduction exceed two percent (2%) of the taxpayer's adjusted gross income.

A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-153.4(b) or (c), as appropriate. The credit allowed under this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer.