

The Honorable Darin LaHood
Chairman, American Workforce Tax Team
1424 Longworth House Office Building
Washington, DC 20515

The Honorable David Schweikert
Chairman, New Economy Tax Team
460 Cannon House Office Building
Washington, DC 20515

The Honorable Brian Fitzpatrick
Chairman, Working Families Tax Team
271 Cannon House Office Building
Washington, DC 20515

The Honorable Mike Kelly
Chairman, Community Development Tax Team
1707 Longworth House Office Building
Washington, DC 20515

Dear Chairman LaHood, Chairman Fitzpatrick, Chairman Schweikert, and Chairman Kelly:

Thank you for the opportunity to submit input to the House Ways and Means Committee Tax Teams as we approach the expiration of the Tax Cuts and Jobs Act next year.

The Council on Foundations is a nonprofit membership association that guides philanthropies as they advance the greater good. Building on our 75-year history, the Council supports more than 900 member organizations in the United States and around the world to build trust in philanthropy, expand pathways to giving, engage broader perspectives, and co-create solutions that will lead to a better future for all.

Philanthropy has a unique role in our society, helping to advance the greater good by strengthening communities, supporting innovative approaches, and acting quickly when crises and disasters occur. The philanthropic sector is positioned to work across broad cross-sections of society, from business to education to government to international organizations to everyday Americans. Foundations and their nonprofit partners can drive innovative solutions to long-term problems, respond to urgent needs, and enrich neighborhoods across the country.

They also continue to step up in response to crises: charitable giving routinely spikes in the aftermath of natural disasters, and COVID-19 triggered the most charitable giving ever seen in the U.S. Taken together, foundations can respond in the short-term and plan for the long-term, and in partnership with nonprofit and community organizations, help to build strong, thriving communities.

Located in all 50 states, our members and their work support communities and working families, help equip students for a 21st century economy, respond to short term needs, and invest in the future, whether it be public health, training, or entrepreneurship. For foundations to do that, a tax policy

environment that ensures philanthropic institutions have the tools, flexibility, and support needed to achieve their missions is vital.

Below are priorities we encourage you and your Teams' members to consider that have the potential to bolster the philanthropic ecosystem, which in turn will help communities and the families, workers, and small businesses within them to thrive. Overall, we urge you to expand and grow incentives to give, sustain long-term philanthropic commitments, and avoid proposals that could undermine the charitable ecosystem.

As you undertake the important work of considering a new tax package, the Council and our members look to be a resource, especially as you consider changes that may directly or indirectly affect the philanthropic sector and broader charitable ecosystem.

Encouraging Charitable Giving

Issue: Fewer Americans are giving to charitable causes and organizations, and the total amount of giving is in decline. In June, *Giving USA 2024* reported a decline in inflation-adjusted charitable giving for the second consecutive year. While total charitable giving by individuals may have increased slightly in current dollars, it was not enough to outpace inflation, resulting in a decline in charitable giving in inflation-adjusted dollars of 2.4 percent in 2023.

Compounding the decline in giving is the small percentage of Americans, approximately 10 percent according to the Tax Policy Center, who choose to itemize their taxes over taking the standard deduction, leaving most Americans without a tax incentive to give to charity. This is more than dollars and percentages: A decline in giving is a decline in resources to foundations and charitable nonprofits to meet the needs of communities, whether it be food, clothing, housing, economic development, or public health.

Our Recommended Solutions: The Council supports policies that foster an environment that expands charitable giving because we know the power of tax policy to incentivize taxpayers to give to the organizations and causes important to them.

- **Universal Charitable Deduction:** Championed by Representatives Blake Moore (UT-01), Danny K. Davis (IL-07), Michelle Steel (CA-45), and Chris Pappas (NH-01), the Charitable Act (H.R. 3435) creates an above-the-line deduction for non-itemizers set at one-third the standard deduction. H.R. 3435 has bipartisan support in the House and Senate, and widespread support throughout

the charitable nonprofit sector, with more than 1,000 organizations endorsing this legislation. We urge the Tax Teams, especially the Working Families, the New Economy, and the Community Development Tax Teams, to include this legislation in your recommendations.

- **Expand the IRA Charitable Rollover:** Since its creation in 2006, many seniors have used the IRA rollover to make a charitable gift to organizations they support. However, current law prevents seniors from making a gift to their donor-advised fund through the IRA charitable rollover. Expanding the IRA charitable rollover to include DAFs would empower seniors with an additional tool as part of their charitable giving strategies to maximize their total giving.
- **Maintain the Increased Deduction Limit for Charitable Contributions:** The Tax Cuts and Jobs Act temporarily increased the adjusted gross income limit for cash donations to qualifying nonprofits from 50 percent to 60 percent, among other changes. We encourage the Committee to maintain this incentive and expand it to include all charitable gifts to 501(c)(3) organizations, as well as supporting organizations.

Expanding opportunities to recognize the generosity of so many Americans will enable philanthropy to benefit from the charitable gifts of community members, and, in many instances, invest that generosity right back into meeting needs within their community.

Address the Growing Student Debt Crisis & Workforce Shortages Facing Communities

Issue: The growing costs of post-secondary education have created challenges for too many individuals and families, including leading to workforce shortages. These shortages can cause numerous issues, especially in rural and underserved communities, leading to a loss of businesses, population decrease, and economic decline.

Our Recommended Solutions: As more communities struggle to attract a skilled workforce and rising costs of education continue to be a barrier for too many students, many foundations are looking for how they can be a part of the solution.

- **Workforce Development Through Post-Graduation Scholarships Act (H.R. 3582):** Championed by Representatives Darin LaHood (IL-16) and Terri Sewell (AL-07), H.R. 3582 recognizes post-graduation scholarships as a charitable activity and excludes post-graduation scholarships from a recipient's taxable income, putting them on par with traditional scholarships. Eligibility and other criteria would be set by the foundation, but these grants would go to individuals who

have completed a degree or technical program and help pay off a portion of their student loans. We urge the Tax Teams, particularly the American Workforce Tax Team, to include this legislation in its recommendations.

- **End Scholarship Displacement:** When a student receives a scholarship from an organization or individual other than their school, they must report it to the school, causing the school to potentially reduce the amount of their financial aid package. This practice can create confusion among students and their families, leaving them unable to afford the college or university they were hoping to attend. For foundations who administer scholarships, displacement conflicts with their donors' intent to help students achieve their educational goals and create unnecessary administrative issues. We urge the Tax Teams, especially the American Workforce Tax Team, to follow the lead of the handful of states that have passed laws curtailing the practice of scholarship displacement.

A well-trained, educated workforce is vital to any economy, whether it be local, regional, national, or global. Philanthropy can help make the cost of advanced training or a college education more affordable so students can focus on using their skills and talents to benefit their communities.

Maintain And Strengthen Flexible Giving Tools

Issue: The challenges and needs of our communities are wide-ranging and complex. From recovering after natural disasters or addressing economic downturns to maintaining our historical landmarks and neighborhood parks to inspiring the next scientific innovation and ensuring our communities have vibrant arts and culture, the missions of foundations are as diverse as our nation. Foundations and other grantmaking organizations employ various philanthropic strategies and tools to support their nonprofit partners, as well as carry out the charitable goals of their donors, boards, and other key stakeholders. Efforts to impose new, unnecessary limitations on foundations will not only harm communities today but will also hamper the charitable sector's ability to meet future needs.

Our Recommended Solutions:

- **Strengthen a Diverse Philanthropic Ecosystem:** Foundations administer a variety of grantmaking strategies and tools to help further their missions and their donors' charitable goals, express their values, and accomplish their philanthropic objectives. The diversity within the philanthropic sector ensures that donors can contribute in ways that best align with

financial needs and long-term charitable goals. The Council urges the Tax Teams to prioritize provisions and legislation that promote and strengthen our diverse philanthropic ecosystem.

- **Preserve the Flexibility of DAFs:** Donor-advised funds (DAFs) are a popular, flexible, and efficient tool that provides donors with the opportunity to remain involved with their charitable contributions through advisory privileges, while ensuring their dollars are contributing to their charitable goals and legacy. In every community, there are examples of how DAFs contribute to a culture of philanthropy in communities large and small, rural and urban, and across the country. We urge the Tax Teams to maintain and strengthen DAFs and other funds administered by community foundations.
- **Safeguard Philanthropic Endowments:** Endowments allow foundations to continue their dual efforts providing short-term resources to address immediate needs and maintaining long-term support to the community for decades into the future. This flexibility is crucial to ensuring future generations benefit from Americans' generosity. The Council urges you to maintain policies that preserve endowments, allowing foundations to continue to serve communities, families, and important causes for years to come.

As the Tax Cuts and Jobs Act is set to expire, Congress has the opportunity to reaffirm our nation's longstanding recognition of the important role foundations and nonprofit organizations play in American society. It is our hope that the work of the Tax Teams will continue to reflect that commitment, and we look forward to working with you to foster an environment that encourages charitable giving, preserves and strengthens existing giving tools, and supports appropriate oversight to maintain trust and integrity in the sector. Please do not hesitate to contact Jenn Holcomb at jenn.holcomb@cof.org or Eddie Shimkus at edward.shimkus@cof.org with the Council's staff should you have any questions. Thank you for the opportunity to submit input for consideration.

Sincerely,

Council on Foundations