Charitable giving is a core American value. Our nation greatly benefits from the generous charitable contributions of its citizens, whether through individual efforts or the efforts of fraternal, community, religious, or other organizations.

Given the charitable character of the American people, it is not surprising that the U.S. boasts the most robust charitable sector in the world, with approximately 1.5 million tax-exempt organizations, according to the National Center for Charitable Statistics. This includes approximately one million public charities, or 501(c)(3) organizations, including universities and colleges.

**Charitable giving in the United States totaled $410.02 billion in 2017.**

_Source: Giving USA Foundation_

### Federal Incentives for Charitable Giving

Since 1917 with the establishment of the individual income tax deduction for charitable donations, the federal government has encouraged taxpayers to make donations to charitable entities. In 1936, the federal government further incentivized charitable giving by permitting corporations to deduct charitable donations from income. Under current law, donations to charitable organizations are tax deductible only for taxpayers who itemize and generally reduce taxable income and, therefore, federal income tax liability.

The basic principle underlying the charitable income tax deduction is that taxpayers should not be taxed on income that does not benefit them directly—because they give that income away to support the public good.

Charitable tax deductions are generally limited to no more than 60 percent of a taxpayer’s adjusted gross income (AGI) and may be limited to 30 or 20 percent of a taxpayer’s AGI, depending on the type of property donated and the type of charitable organization.

Since the IRA charitable rollover was enacted as part of Pension Protection Act of 2006, taxpayers age 70½ and older may donate up to $100,000 per year from their Individual Retirement Accounts (IRAs) to public charities, without having to include the distributions as taxable income.

### Gifts of Property and the Charitable Income Tax Deduction

A gift of property may involve an outright gift or a partial interest of, intangible property like patents, or tangible property such as art, or real estate.

Like cash gifts, gifts of appreciated property generally allow taxpayers to receive an income tax deduction and thereby reduce their tax obligations.

A taxpayer can claim a charitable income tax deduction based on the property’s fair market value for up to 30 percent of the taxpayer’s AGI and avoid federal capital gains taxes. Such gifts can also reduce certain state and local income taxes and reduce potential estate taxes.
Charitable Giving and Universities and Colleges

The amount of the deduction a taxpayer may claim is a function of the fair market value of the property. With certain exceptions, the IRS requires a written appraisal from a qualified appraiser for donated property valued at more than $5,000. Donors may receive additional deductions in the future if the contributed property produces income for the charity.

Contributions of property are subject to strict substantiation and record keeping rules. Taxpayers who claim the deduction must substantiate the fair market value of the donated property in compliance with IRS rules.

**Universities and Charitable Giving**

Charitable gifts are a critically important source of revenue to universities. These gifts are sometimes used to fund current operations through annual giving campaigns. However, many gifts are given specifically to an institution’s endowment so that those gifts support specific purposes or activities—such as student scholarships or medical research—both in the present and for many years to come.

Now more than ever, the ability of colleges and universities to fulfill their teaching, research, and public service missions depends upon charitable giving.

*In 2018, colleges and universities received about $46.73 billion in charitable gifts, an increase of 7.2 percent over the previous year and the highest amount ever raised.*

Source: Council on Aid to Education

Charitable donations work in concert with federal and state investments in student aid to ensure access to higher education for students regardless of their socioeconomic status. These gifts also support teaching, groundbreaking research and technological innovation, and the public service activities of colleges and universities. In short, the partnership between private donors and colleges and universities delivers enormous economic benefits to our society.

**2017 Tax Law Implications**

The Tax Cuts and Jobs Act adjusted the charitable contributions limit from 50 percent to 60 percent of AGI. The IRS is expected to issue rules implementing this soon. In addition, changes to the standard deduction could have an impact on charitable giving patterns beginning with 2018 income tax filings.

**Additional Information**

Giving USA Foundation Report
Annual Report on Philanthropy for the Year 2017
https://givingusa.org/tag/giving-usa-2018/

CASE 2018 Voluntary Support for Education Survey
https://www.case.org/AMAtlas_and_Library/
AMAtlas/VSE_Survey_and_Data_Miner/
VSE_Survey/2018_VSE_Highlights.html

Independent Sector 2017 Study
Tax Policy and Charitable Giving
https://www.independentsector.org/resource/tax-policy-charitable-giving/

**IRS Publication 526**
Charitable Contributions