Happy 100th Anniversary, Charitable Deduction

by Thomas Peters, Ph.D.

Given the tumultuous times, an upcoming 100th anniversary is unlikely to get much general public notice. But here in the world of philanthropy, we’ll definitely be toasting the occasion.

In just a few months, one of the oldest ‘preferences’ in the U.S. tax code, the "charitable deduction," will have been in effect for fully 100 years.

As Congress’s earliest public policy statement regarding philanthropy, the charitable deduction has played an influential role over the past century. It certainly deserves a moment of celebration.

Here’s why.

As a matter of federal law, the charitable deduction gives explicit encouragement to individuals and families to share their wealth, turning private resource into public benefit. By singling out philanthropic giving for beneficial tax treatment, this public policy benefit has played its designed role through war and peace, through boom and bust.

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Indeed, it was as the Congress worried about downward pressure on private support to schools and universities during World War I that the charitable deduction was made law. It became an official part of the newly-instituted income tax code by way of the War Revenue Act of 1917.

No one can know for sure, of course, what exact role the charitable deduction has played over these 100 years in the matrix of donor motivations. But there’s a basic fact of which all Americans can be enormously proud: no other country in the world has such a striking record of personal giving.

Continuing decades of remarkable generosity, in the last year alone Americans contributed an extraordinary amount in charitable giving, nearly $400 billion. Just imagine the degree of beneficial impact that more than a third of a trillion dollars in a single year generates to schools, churches and synagogues, to the arts and the environment. To human services and scientific research. To isolated families and entire communities.
And just imagine the benefit not only of the continuation of essential services, but of the support for innovative ideas and noble experiments. Exploring new avenues of public good, locally, nationally and internationally, often where governments and businesses either can’t or won’t go.

One hundred years, trillions of dollars, priceless benefits.

Recently in Washington D.C., several veteran colleagues and I were crafting plans for a fitting tribute. To initiate a revision even more suited for the new century, we’re intent on urging the Congress and the President to extend the provisions of the charitable deduction to all taxpayers.

A relatively simple change in IRS rules, one that would benefit the more than two-thirds of American taxpayers who don’t use the long form for reporting income, would allow them to receive an equitable tax credit for their charitable gifts.

But no matter what, come January we’re ready to celebrate.

After all, 100 years of giving equals 100 years of caring.

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Dr. Tom Peters is the President & CEO of MCF and a leading national voice for community philanthropy, advocating and facilitating the dedication of private resources for the public good.