



**“Supporting Charitable Giving during the Coronavirus Pandemic”
Prepared Remarks, June 9, 2020**

Thank you Chairman Lee. Thank you to our witnesses Dr. Osili and Mr. Crim for sharing your expertise and perspective with us here today. And thank you Senators Shaheen and Lankford for joining the Committee this afternoon.

I think everyone here agrees: charities are one of our nation’s precious resources.

They provide invaluable services and strengthen our communities. Perhaps at no time in our history has this important role been so visible as during this global pandemic and resulting economic crisis.

I volunteered at a food bank in my district recently—for as long as I was there you could not see the end of the line—and they told me that one of their biggest challenges is that they are no longer getting the extra food from restaurants because restaurants are closed so they are having to turn to their state and local governments to fund the food they need to feed all of these people who do not have any income.

Throughout this crisis, America’s charities have been front-line responders, providing communities that have been critically impacted with access to housing, emergency child care for first responders, support for victims of domestic abuse, counseling and other critical services.

Recent challenges

Unfortunately, at a time when we need nonprofits more than ever and when more Americans are turning to them for support, they also are facing serious economic challenges.

Nearly three-quarters of charities globally have seen a decline in donations since the crisis began – half expect to absorb a hit of 20 percent.

They depend on a diverse set of resources. Foundations, businesses and individuals. But individual giving is key – making up nearly 70 percent of charitable contributions.

Since 2000, the share of households donating to nonprofits has fallen from two-thirds to 53 percent in 2016. That translates to 20 million fewer households donating.

The effect of the 2017 Republican tax cuts

Unfortunately, the 2017 Republican tax cuts, the “Tax Cuts and Jobs Act” made things worse.

You are familiar with the broad contours of the story.

The law nearly doubled the standard deduction to \$12,000 for single taxpayers and for married couples filing separately, and to \$24,000 for married couples filing jointly.

It also capped the State and Local Tax deduction – SALT.

As a result, the law dramatically reduced incentives to itemize deductions. And not surprisingly, the number of taxpayers who itemize fell precipitously.

In 2017, before the law was enacted, 26 percent of households itemized.

In 2018, after the law kicked in, the share plummeted to only 10 percent – substantially less than half of the percentage that had filed the previous year. Less than half.

For the nonprofit world – that hurts. Badly.

Fewer itemizers means fewer givers. That result was widely predicted even before the law was passed.

So it shouldn’t have been a surprise to anyone that individual donations fell in 2018.

Despite a strong economy, individual giving fell by more than 3 percent, after adjusting for inflation. As a percentage of GDP, charitable contributions by individuals declined by 6 percent.

The pandemic makes things worse

Now, with the current crisis, contributions are likely falling faster as charities confront both fewer donations and canceled fundraising events.

This means less money will be available and spent on the necessary services these organizations provide to our communities.

Already, 60 percent of charities have reduced services. A survey of smaller nonprofits found that 13 percent had suspended all or most of their operations.

Macroeconomic effects

There are serious economic impacts as well.

In 2017, nonprofits employed more than 12 million people in the United States—more than 10 percent of the private-sector workforce.

But as a result of the pandemic, nearly one-in-six nonprofits around the world were forced to furlough employees. One-in-eight have had to lay people off.

Policy responses

We all agree that these are serious problems. The question is what to do about it.

We'll hear today more about proposals to incentivize additional charitable giving by expanding access to the charitable deduction beyond the \$300 universal deduction for this year included in the CARES Act. Expanding the deduction further could help offset lost individual contributions resulting from the TCJA.

I favor taking a broad look at a range of options available to bolster the sector.

Supporting charities and the individuals who count on them for critical services and jobs requires a comprehensive approach that includes ensuring organizations can access the many supports in CARES and other coronavirus relief legislation.

Congress intentionally made PPP loans available to nonprofits and many have been able to utilize them to retain employees and sustain operations.

Nonprofits are also benefiting from the Employee Retention Tax Credit in the CARES Act. The HEROES Act would increase the tax credit from 50 percent to 80 percent of qualifying wages and lift the wage cap.

Beyer Charitable Rollover bill

Another path is to tap the generosity of our senior citizens. I've introduced a bill that would incent charitable giving by expanding the IRA Charitable Rollover to allow people starting at age 65 to make tax-free IRA rollovers to charities while providing a guaranteed income for the senior citizen.

I know Senator Klobuchar has introduced legislation to provide grants that would help nonprofits retain employees or hire those who have recently become unemployed.

We need a sense of urgency

There are lots of smart ways to address these challenges.

What nonprofits need most is an injection of resources to get them through this period. And they need it now.

Some in Congress feel no sense of urgency. But I hear every day from people in my district, from nonprofits, big and small, that a sense of urgency is exactly what's needed.

Thank you Chairman Lee for focusing attention on what we can do right now to support charities and to help them weather this storm.

And again I'd like to thank our witnesses from inside and outside Congress for sharing your perspectives today.