



## Charitable Giving and Tax Incentives

Estimating changes in charitable dollars and number of donors resulting from five policy proposals

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**Contents**

**Acknowledgements** ..... 2

**Executive Summary** ..... 4

**Introduction** ..... 6

**Background** ..... 6

**Tax Policy in the United States** ..... 7

**The Current Study** ..... 10

**Methodology** ..... 10

**Results: Charitable Giving** ..... 12

**Summary** ..... 12

**Policy Options** ..... 13

**Conclusion** ..... 21

**References** ..... 23

**Appendix A. Methodology** ..... 26

**Penn Wharton Budget Model** ..... 26

**Tax-Price Elasticity of Giving** ..... 28

**Limitations** ..... 28

**Appendix B. Tables comparing policy options within income groups** ..... 29

**Appendix C. Full Tables** ..... 30

## Executive Summary

Over \$400 billion were donated to nonprofits in 2017, a record high [1]. However, despite the increases in charitable dollars, the share of households that donate has been declining: in 2000, 67 percent of American households donated to nonprofits, but in 2014, only 56 percent of American households donated [2]. This trend in decreasing donors pre-dates the passage of the 2017 Tax Cuts and Jobs Act (TCJA), but could be accelerated by the recent policy changes. TCJA significantly changed federal tax policy and these changes are expected to affect charitable giving [3-5]. Nonprofit leaders, as well as policymakers, have been exploring additional policy proposals to offset the potential negative impact on charitable giving.

This study used the Penn Wharton Budget Model [6; 7] to run microsimulations of the effects of five tax policy proposals on charitable giving dollars and the number of households that donate. The five proposals included:

1. A non-itemizer charitable deduction;
2. A non-itemizer charitable deduction with a cap for non-itemizers of \$4,000 for single filers and \$8,000 for married couples filing jointly;
3. A non-itemizer charitable deduction with a modified 1 percent floor that allows non-itemizers to deduct 50 percent of the value of their charitable gifts under 1 percent of AGI and a normal deduction for gifts over 1 percent of AGI;
4. A non-refundable 25 percent charitable giving tax credit; and
5. An enhanced non-itemizer charitable deduction, which provides a higher value deduction for low- and middle-income households:
  - Single filers earning under \$20,000 can deduct 200 percent of the value of their charitable donations, single filers earning between \$20,000 and \$40,000 can deduct 150 percent of their charitable donations, and single filers earning over \$40,000 can deduct 100 percent of their charitable donations;<sup>1</sup> and
  - Married couples filing jointly earning below \$40,000 can deduct 200 percent of the value of their charitable donations, married couples filing jointly earning between \$40,000 and \$80,000 can deduct 150 percent of their charitable donations, and married couples filing jointly earning over \$80,000 can deduct 100 percent of their charitable donations.

Key findings include:

- **Non-refundable 25 percent tax credit:** Providing a non-refundable 25% charitable giving tax credit to non-itemizers has the largest positive impact on both the amount of charitable giving dollars (\$37 billion) and the number of donor households (10.6 million) of the five policy options analyzed. However, it is also the most “expensive” proposal for United States (U.S.) Treasury revenue (-\$33.0 billion).
- **Non-itemizer charitable deduction:** Extending the charitable deduction to non-itemizers could generate up to \$26 billion in additional donations and induce up to 7.3 million additional households to donate in 2021. It would reduce Treasury revenue by up to \$22 billion.
- **Charitable dollars and Treasury revenue:** Four of the five policy proposals bring in more charitable dollars than are lost in Treasury revenue. The non-itemizer deduction

<sup>1</sup> Deducting 100 percent is equivalent to the basic charitable deduction.

with a \$4,000/\$8,000 cap is the only proposal that brings in fewer additional charitable dollars than is lost in Treasury revenue.

- **Charitable dollars and TCJA effects:** Four of the five policy proposals bring in more charitable dollars than were projected to have been lost as a result of TCJA. The non-itemizer deduction with a \$4,000/\$8,000 cap is the only proposal that brings in fewer additional charitable dollars than is lost as a result of TCJA.
- **Number of donor households and TCJA effects:** All five proposals bring in more donor households that were expected to be lost as a result of TCJA.
- **Non-itemizer deduction with a modified 1 percent floor:** The non-itemizer deduction with a modified 1 percent floor is also estimated to have the largest net impact on charitable giving dollars compared to the cost to the Treasury; it could bring in up to \$7 billion more in charitable giving than is lost in Treasury revenue. However, it brings in the fewest donor households.
- **Non-itemizer deduction with a \$4,000/\$8,000 cap:** The non-itemizer deduction with a \$4,000/\$8,000 cap has the largest impact on donors per dollar cost to the Treasury. This policy would bring in up to 352 new donor households per million lost in Treasury revenue.

## Introduction

Recent trends, including the decreasing share of American households donating to nonprofits and the passage of the 2017 Tax Cuts and Jobs Act (TCJA) have led to concerns among nonprofit organizations that the overall increases in charitable giving might not be sustainable and that the increasing concentration of giving among high-income households could lead to greater inequality [2; 8-10]. Some research [4; 5; 11-13], including a recent study researched and written by the school and commissioned by Independent Sector [3], have projected that some of the provisions included in the new policy (e.g. the increase in the standard deduction, the cut in marginal rates, the continued decrease in the number of people subject to the estate tax, the cut in corporate rates, etc.) will significantly reduce charitable giving [3-5; 11-13]. As a response to these concerns and as a way to offset the projected loss in charitable donations, various proposals have been made to extend the charitable deduction to non-itemizers. These proposals include the *Charitable Giving Tax Deduction Act* introduced in the United States House of Representatives (House) by Representative Chris Smith (R-NJ) [14; 15], H.R. 1260 introduced in the House by Representative Danny Davis (D-IL) [16], and the *Universal Charitable Giving Act* introduced in the House by Representative Mark Walker (R-NC) [17] and in the United States Senate by Senator James Lankford (R-OK) [18]. Other proposals have been supported by policymakers and thought leaders in the nonprofit sector and philanthropy field, but have not been introduced as actual bills.

## Background

In 2017, charitable giving reached an all-time high of \$410.02 billion,<sup>2</sup> which included \$286.65 billion from individuals<sup>3</sup> [1]. Overall charitable giving dollars and giving by individuals have generally been increasing over time, with some decreases in recession years, and overall charitable giving dollars have increased every year since 2010 [1]. However, the number of households who donate has been declining. In 2002, 68.5 percent of Americans donated to nonprofits,<sup>4</sup> while in 2014, only 55.5 percent of Americans donated [2; 19]. Therefore, charitable giving appears to be increasingly concentrated among high-income households, who already dominate the charitable giving landscape [2; 8; 9; 19; 20]. This has led to concerns among nonprofit leaders, policymakers, and academics about how to increase equity while addressing efficiency [9; 10].

While there are many reasons that motivate people to donate, one influence is the potential tax benefit that they receive from their charitable contributions [21-23]. Over time, federal tax policy in the United States has become less progressive, lowering the tax burden on high-income households without providing the same reductions for low-income households [24]. This has the potential to further reduce giving by low- and middle-income households.

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<sup>2</sup> 2017 was the last year before the provisions of TCJA went into effect, and *Giving USA* did include reports from certain organizations that experienced an increase in year-end giving in 2017. Some donors may have shifted some of their 2018 giving to the end of 2017, but it is difficult to disentangle behavioral shifts due to TCJA from the booming economy in year-end 2017. It is likely that a combination of factors contributed to the record high for giving by individuals [1].

<sup>3</sup> Giving by individuals includes giving to donor-advised funds, which reportedly experienced increased popularity in late 2017. This increase in popularity could be due to TCJA and/or the strong economy [1].

<sup>4</sup> The share of households donating increased slightly between 2000 and 2002 from 66.8 percent to 68.5 percent.

Recently, there have been various proposals to change tax policy at both the federal and state levels to make the tax system more progressive [25]. However, among nonprofit leaders, advocates, policymakers, and academics, proponents of a more fair and equitable tax code remain unclear about which giving incentives might best achieve their goals.

### Tax Policy in the United States

In the United States, individuals, including citizens, residents, and nonresidents, have been required to pay income taxes since 1913. Taxpayers must pay a certain portion of their taxable income to the federal government. The portion owed is determined by their income, legal deductions and credits, and their marginal tax rates. Their taxable income is determined by subtracting their tax deductions from their adjusted gross income (AGI); this is defined as taxable income. In addition, taxpayers may qualify for tax credits, which are subtracted from the taxes owed. Tax credits reduce a taxpayers' tax liability (amount owed) [26], but there are two types of tax credits, refundable and non-refundable [26]. If a credit is refundable and the tax credit is larger than the taxpayers' tax liability, the taxpayer will receive the remainder of the credit in a refund, whereas if it is non-refundable, the taxpayer cannot benefit from the credit above their tax liability [26].

Furthermore, tax deductions sometimes have additional limitations, including floors and caps. Floors set a minimum amount (dollar amount or percentage of AGI) below which the deduction cannot be claimed [27; 28] and caps set a maximum amount (dollar amount, percentage of AGI, or percentage of standard deduction) that can be deducted [28; 29].

In addition, taxpayers can choose between the standard deduction or the total of their itemized deductions; this is typically referred to as itemization status. Itemizers' taxable income is reduced by the total amount of their deductions, while non-itemizers' taxable income is reduced by the standard deduction. In 2018, the standard deduction was \$12,000 for single taxpayers and \$24,000 for taxpayers who were married and filing jointly, which is nearly twice what it was in 2017. *Table 1* shows the change in the standard deduction before and after TCJA was passed. The number of households who itemize was predicted to decline significantly after the passage of TCJA, with 88 percent of taxpayers expected to take the standard deduction for tax year 2018 [30]. This means that approximately 28.5 million households will no longer be able to benefit from the charitable deduction.

*Table 1. Standard deduction*

	2017	2018 pre-TCJA counterfactual	2018	2019
Individual	\$6,350	\$6,500	\$12,000	\$12,200
Married/Jointly	\$12,700	\$13,000	\$24,000	\$24,400

2020 and beyond: Future years indexed for inflation

### Provisions of TCJA affecting charitable giving

In addition to the standard deduction, other provisions of TCJA directly impact the funding of charitable organizations (e.g. donations) and the operational side of charitable organizations [31; 32]. These policy changes vary with regards to whether they are expected to have a

positive effect on charitable giving and nonprofits or a negative effect on charitable giving and nonprofits [33].

Provisions that could have a *positive* impact on charitable giving and/or nonprofit organizations include:

- **Cash contribution limits:** Deductions for charitable donations are based on limits applying as a percentage of a taxpayer's AGI. Prior to TCJA, taxpayers could deduct several types of charitable contributions (cash, assets, etc.) up to 50 percent of their AGI. Post TCJA, the limitation has gone up from 50 percent to 60 percent of a taxpayer's AGI, but only for taxpayers making exclusively cash contributions [31; 32].

Provisions that could have a *negative* impact on charitable giving and/or nonprofit organizations include:

- **Estate and gift tax:** Prior to TCJA, the expected 2018 combined lifetime exemption (unified credit) allowed each individual up to \$5.6 million and married couples up to \$11.2 million to be transferred, tax free by gift or inheritance. Post TCJA, the amount of exemption doubled; \$11.2 million for individuals and \$22.4 million for married couples in 2018, which will be adjusted for inflation yearly through 2025 [31; 32].
- **Unrelated business taxable income (UBIT):** TCJA requires a tax-exempt organization carrying more than one unrelated business to calculate its UBIT separately rather than on an aggregate basis prior the law. Therefore, losses from one unrelated business can no longer be used to offset income from another unrelated business. On the positive side, the tax rate applicable to UBIT has been reduced to 21 percent [31; 32].
- **Employee fringe benefits:** TCJA eliminated the employer deduction for the cost of certain employee fringe benefits for not-for-profit corporations. The law imposed a new UBIT tax on nonprofits based on their costs of some of their employee fringe benefits. The benefits affected are qualified transportation fringe benefits, employee pre-tax elections for these benefits, and parking facilities with qualified parking [31].
- **New excise taxes imposed on executive compensation:** TCJA imposes a 21 percent excise tax on compensation paid by certain tax-exempt employers to covered employees in excess of \$1 million or on excess parachute payments paid to covered employees [31; 32].
- **New excise tax on college and university endowments:** TCJA imposes a new excise tax on some colleges and universities<sup>5</sup> in the amount of 1.4 percent of the institution's net investment income for the tax year [31; 32].
- **Deductions for payments to colleges and universities for the right to purchase athletic event tickets:** Prior to TCJA, taxpayers making donations to colleges and universities could deduct 80 percent of the amount donated to receive the right to buy athletic event tickets. After TCJA, these donations are no longer deductible [31].

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<sup>5</sup> This excludes postsecondary institutions with fewer than 500 students in the prior tax year, institutions with a majority of their students located outside of the U.S., state colleges and universities, and institutions with small assets (less than \$500,000 per student). Assets used for exempt purposes are not included in the determination of the value of the institution's assets [31].

Furthermore, other changes in tax policy resulting from TCJA that do not directly affect nonprofit organizations are still likely to indirectly affect charitable giving, particularly for high-income donors.

- **Standard Deduction:** TCJA increased the standard deduction from \$6,350 for individuals and \$12,700 for married couples filing jointly to \$12,000 for individuals and \$24,000 for married couples filing jointly. Therefore, the number of taxpayers who itemize has significantly decreased [30], meaning fewer taxpayers will benefit from the charitable deduction. This is expected to have a negative effect on charitable giving [3-5]. In contrast, some taxpayers could have more disposable income as a result of the increased standard deduction, which they could use to donate to nonprofits, but this is not expected to have a large effect.
- **Pease limitation:** Prior to TCJA, the Pease limitation limited the total amount that could be deducted for high-income households with AGIs above a certain threshold (2017: \$261,500 for single, \$313,800 for married filing jointly). The limitation reduced the total of the filers' itemized deductions by 3 percent of the difference between their AGI and the threshold (e.g. for a single filer making over \$261,500: adjusted deduction = itemized deductions - .03 \* (AGI - 261,500)). However the reduction must be less than or equal to 80 percent of the filers' itemized deductions [34]. The Pease limitation was repealed as part of TCJA, thereby increasing the value of the charitable deduction for some high-income itemizers.
- **State and local taxes (SALT) cap:** Since the inception of the federal income tax in 1913, state and local taxes have been deductible for itemizers. This includes personal property taxes, real estate taxes, and either income taxes or sales taxes. TCJA added a cap to the total amount of state and local taxes that can be deducted, limiting the deduction to \$10,000 [35]. For the smaller number of taxpayers who can itemize given the higher standard deduction and the new SALT limits, this could increase the value of the charitable deduction because it effectively leads to a higher state tax rate.<sup>6</sup> In addition, donating appreciated assets to avoid paying state or local taxes on them means that the tax benefit for these donations has increased. For those taxpayers who switch to taking the standard deduction because of the SALT cap, charitable giving could be negatively impacted as they lose access to the charitable deduction.
- **Alternative minimum tax (AMT):** The AMT operates alongside the regular income tax system to ensure that high-income taxpayers pay at least a certain amount of taxes. In other words, it limits the benefits that high-income taxpayers can receive from deductions and credits [36]. TCJA significantly limited the number of households subject to the AMT (from 5.0 million in 2017 to 200,000 in 2018) [37]. While the charitable deduction is one of the few deductions still allowed under the AMT, the decrease in the number of households subject to the AMT could result in lower taxes for these households no longer subject to the AMT. The additional income could have an indirect, but positive effect on charitable giving.

It is clear that federal tax policy is not only complicated, but the various provisions have both direct and indirect effects on charitable giving. Therefore, it is important to conduct research on

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<sup>6</sup> Because the value of the SALT deductions is much lower for some tax payers, some taxpayers will have a higher marginal tax rate on Federal taxes, and state taxes are usually determined in most part by federal tax liabilities.

how this and future policies could affect charitable giving and nonprofit organizations more generally.

## The Current Study

The tax treatment of charitable giving influences who gives and how much they give [38]. Between 2000 and 2014, the number of households that donate to nonprofits declined, and this trend is especially strong among low- and middle-income households [2]. TCJA could also lead to a decline in donors. In addition, even though charitable giving dollars have been increasing in recent years [1], this trend might not be sustainable due to the changes associated with TCJA as well as the past decrease in number of donors overall.

Because of this, nonprofits, policymakers, and academics have been trying to understand what other policy options could reverse negative giving trends. This report focuses on five policy options under consideration by the nonprofit sector. These options aim to offset the continued decline in donors, unequal treatment of taxpayers' charitable gifts in the tax code, and the potential decrease in charitable giving resulting from TCJA [3-5] by targeting non-itemizers and making the tax incentives for charitable giving more equitable. After a brief summary of the methods used to estimate the effects of the five policies, the report will summarize the five policy options, present their estimated effects on charitable giving dollars and number of donor households, and discuss the differing effects of each policy among different income groups.

## Methodology

Microsimulations to estimate the effects of various tax proposals on charitable giving were conducted using the Penn Wharton Budget Model (PWBM) [6]. This model is used to project the effects of government tax and spending policies and has been used in past research to predict the effects of policy changes on charitable giving [5]. The model uses a simulated population dataset that matches the overall population for many demographic and macroeconomic variables [7]. Additional information about the Penn Wharton Budget Model is included in *Appendix A*.

In addition to outputs for charitable dollars donated and federal tax revenue, the PWBM was used to estimate the effects on the share of taxpayers who donate to nonprofits. While this type of analysis is common in the healthcare field [39-41], researchers are just beginning to explore how to estimate the impact of tax policy changes on taxpayer's decision of whether or not to donate<sup>7</sup>. Therefore, this research is among the first to conduct this type of analysis on the application of tax policy to donor incidence<sup>8</sup> [43].

Analyses were conducted using income-based tax-price elasticities of giving. In a previous study, the school used the Panel Study of Income Dynamics (PSID; [44]) and the Philanthropy

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<sup>7</sup> Extensive margin [42]

<sup>8</sup> The study of donor incidence rates is not new; however, the modelling of *proposed* tax policy on donor incidence rates is new. In addition, there is a large body of research on how past legislation has affected donor incidence rates, but this is very little that uses microsimulations to *predict* future (or counterfactual) effects of tax policy on donor incidence rates.

Module (Philanthropy Panel Study, PPS; [2]) to generate estimates for both giving by non-itemizers and elasticities for three different income groups (<\$50,000; \$50-\$99,999; ≥\$100,000) [3]. Additional information on the calculations to estimate these income-based tax-price elasticities of giving can be found in *Appendix A*. The income-based elasticities were used in conjunction with the Penn Wharton Budget Model to estimate the effects of five policy changes on charitable giving dollars and number of donors, both overall and by income group (first quintile, second quintile, third quintile, fourth quintile, 81-90 percent, 91-99 percent, and top 1 percent).

*Table 2. Average giving & elasticities*

Income Bracket	Percentage of Non-Itemizers	Non-Itemizer Average Giving	Elasticity
<\$50,000	73.5%	\$343	-2.236
\$50,000-99,999	21.3%	\$858	-1.490
\$100,000+	5.3%	\$1,586	-1.182

In addition, because some previous research, including the Congressional Research Service and Congressional Budget Office [45; 46], assumes lower responsiveness by tax payers to changes in charitable giving, we also estimate the same analyses using a low responsive elasticity (-0.5) and a moderate responsive elasticity (-1.0). These results are included in *Appendix C*.

Using the TCJA as a baseline, we used the microsimulation models to estimate the effects of the following proposals:<sup>9</sup>

1. A non-itemizer charitable deduction;
2. A non-itemizer charitable deduction with a cap for non-itemizers of \$4,000 for single filers and \$8,000 for married couples filing jointly;
3. A non-itemizer charitable deduction with a modified 1 percent floor that allows non-itemizers to deduct 50 percent of the value of their charitable gifts under 1 percent of AGI and a normal deduction for gifts over 1 percent of AGI;
4. A non-refundable 25 percent charitable giving tax credit; and
5. An enhanced non-itemizer charitable deduction, which provides a higher value deduction for low- and middle-income households:
  - Single filers earning under \$20,000 can deduct 200 percent of the value of their charitable donations, single filers earning between \$20,000 and \$40,000 can deduct 150 percent of their charitable donations, and single filers earning over \$40,000 can deduct 100 percent of their charitable donations;<sup>10</sup> and
  - Married couples filing jointly earning below \$40,000 can deduct 200 percent of the value of their charitable donations, married couples filing jointly earning between \$40,000 and \$80,000 can deduct 150 percent of their charitable donations, and married couples filing jointly earning over \$80,000 can deduct 100 percent of their charitable donations.

The results of these analyses, as well as explanations of each policy option are included in the results section. For each proposal we estimated the impact on charitable giving dollars, number of households that donate to nonprofits, and Treasury revenue.

<sup>9</sup> In all analyses, the charitable deduction for *itemizers* was not changed. In addition, limitations that apply to the itemizer deduction also apply to the non-itemizer deduction (e.g. 60 percent AGI limit on cash contributions).

<sup>10</sup> Deducting 100 percent is equivalent to the basic charitable deduction.

## Results: Charitable Giving

### Summary

#### Charitable Giving

Under TCJA, the model predicts that 88.6 million households will donate approximately \$342 billion in 2021. In line with previous research [3-5; 11], these estimates are lower than what would have been predicted for that year had TCJA not passed (Pre-TCJA Counterfactual). Analyses of changes in charitable giving dollars, number of donor households, and Treasury revenue are compared to the baseline 2021 estimates. All five policy options are estimated to have a positive impact on both charitable giving dollars and number of donor households at all income levels. In addition, all five policy options are estimated to more than offset the potential negative effects of TCJA on the number of households that donate. Four of the five policy options are estimated to more than offset the potential negative effects of TCJA on charitable giving and bring in more charitable dollars than are lost in Treasury revenue. The non-itemizer deduction with a \$4,000/\$8,000 cap is the only policy option that does not bring in more charitable dollars than were projected to be lost as a result of TCJA or than could be lost in Treasury revenue.

Table 3. Summary of effects of five policy options on charitable giving and number of donors, 2021

	Charitable Dollars <sup>1</sup> (A)	Donors <sup>2</sup> (B)	Treasury Revenue <sup>1,3</sup> (C)	Net dollars <sup>1,4</sup> (D)	Relative Donor Incidence <sup>5</sup> (E)
Baseline	\$341.9	88.6			
Pre-TCJA Counterfactual <sup>11</sup>	\$360.3	91.0			
<i>Change from 2021 Baseline</i>					
(1) Non-itemizer deduction (UCD*)	\$26.2 (7.7%)	7.3 (8.2%)	-\$21.6 (-0.6%)	\$4.6	338
(2) UCD with \$4,000/\$8000 cap	\$17.4 (5.1%)	7.0 (7.9%)	-\$19.9 (-0.5%)	-\$2.5	352
(3) UCD with modified 1% floor	\$24.9 (7.3%)	4.6 (5.2%)	-\$17.9 (-0.5%)	\$7.0	257
(4) 25% Credit	\$36.9 (10.8%)	10.6 (12.0%)	-\$33.0 (-0.9%)	\$3.9	321
(5) Enhanced UCD	\$29.2 (8.5%)	8.4 (9.5%)	-\$24.3 (-0.7%)	\$4.9	346

<sup>1</sup>Billions of dollars

<sup>2</sup>Millions of tax units

<sup>3</sup>Fiscal year

<sup>4</sup>Charitable dollars (A) – Treasury cost (|B|)

<sup>5</sup>Number of new donor households per \$1 million in Treasury costs

\*Universal charitable deduction

The 25 percent credit for non-itemizers (*Policy 4*) is estimated to have the largest effect on both charitable dollars donated and the number of households who donate. The credit could increase giving by up to \$37 billion (an increase of up to 11 percent over current law) in 2021 with up to 10.6 million additional households donating (an increase of up to 12 percent over

<sup>11</sup> The estimate “Pre-TCJA Counterfactual” is the amount of charitable giving dollars and number of households that donate that would be expected for those years had TCJA not passed.

current law). However, it would also be the most expensive option for the Treasury, costing up to \$33 billion in Treasury revenue (a decrease of up to 0.9 percent from current law).

The enhanced non-itemizer deduction (*Policy 5*) is estimated to have the next largest effect on charitable giving dollars and number of donor households, increasing charitable giving by up to \$29 billion (an increase of up to 9 percent over current law) and increasing the number of households donating by up to 8.4 million (an increase of up to 10 percent over current law) households. It would reduce Treasury revenue by up to \$24 billion (a decrease of up to 0.7 percent from current law), making it the second most expensive option for the Treasury.

The basic non-itemizer deduction (*Policy 1*) is estimated to have the third largest effect on charitable giving dollars and number of donor households, increasing charitable giving by up to \$26 billion (an increase of up to 8 percent over current law) and increasing the number of households donating by up to 7.3 million (an increase of up to 8 percent over current law) households. It would reduce Treasury revenue by up to \$22 billion (a decrease of up to 0.6 percent from current law), making it the third most expensive option for the Treasury.

The non-itemizer deduction with a modified 1 percent floor (*Policy 3*) is estimated to have the fourth largest effect on charitable giving dollars, but the *smallest* effect on number of donor households, increasing charitable giving by up to \$25 billion (an increase of up to 7 percent over current law) and increasing the number of households donating by up to 4.6 million (an increase of up to 5 percent over current law) households. It would reduce Treasury revenue by up to \$18 billion (a decrease of up to 0.5 percent from current law), making it the *least* expensive option for the Treasury.

The non-itemizer deduction with a \$4,000/\$8,000 cap (*Policy 2*) is estimated to have the *smallest* effect on charitable giving dollars, but the second smallest effect on number of donors, increasing charitable giving by up to \$17 billion (an increase of up to 5 percent over current law) and increasing the number of households donating by up to 7.0 million (an increase of up to 8 percent over current law) households. It would reduce Treasury revenue by up to \$20 billion (a decrease of up to 0.5 percent from current law), making it the second least expensive option for the Treasury. This is the only policy option that does not bring in more charitable dollars than are lost in Treasury revenue.

In the next section, we describe why we analyzed each of the five policy options, the pros and cons of each policy, and the separate effects of each policy by income bracket. *Appendix B*, includes tables comparing the various policy options within income groups.

## Policy Options

The effects of each policy are presented in table format and include the change in the number of dollars donated by that income group and the number of donor households within that income group. The policies include a non-itemizer deduction, a non-itemizer deduction with a \$4,000/\$8,000 cap, a non-itemizer deduction with a modified 1 percent floor, a non-refundable 25 percent credit for non-itemizers, and an enhanced non-itemizer deduction.

In the tables below for each policy proposal (Tables 5-9), the percentages are calculated as changes from the expected giving levels for 2021 (shown in Table 4). Because most charitable giving comes from high-income donors, the fifth quintile (top 20 percent income bracket) was further broken down into three income groups: the 81<sup>st</sup> to 90<sup>th</sup> percentile, the 91<sup>st</sup> to 99<sup>th</sup> percentile, and the top 1 percent.

Table 4. Estimated charitable giving dollars and number of donor households by income group, 2021

Income Bracket	Dollars <sup>1</sup>	Donors <sup>2</sup>
Bottom 20%	\$11.5	10.3
21%-40%	\$18.9	12.9
41%-60%	\$33.3	16.2
61%-80%	\$64.2	21.5
81%-90%	\$48.9	13.1
91%-99%	\$85.4	13.0
Top 1%	\$79.7	1.5
Overall	\$341.9	88.6

<sup>1</sup>Billions of dollars

<sup>2</sup>Millions of tax units

### **Policy 1: Non-itemizer deduction**

The non-itemizer charitable deduction would extend the current deduction currently available to itemizer to non-itemizers. This is sometimes called a universal charitable deduction.<sup>12</sup> The universal charitable deduction has long been popular among nonprofits [47] and policymakers [14; 15; 47]. The *Charitable Giving Tax Deduction Act* (HR 651), which is still under consideration by the House Committee on Ways and Means, is the most recent example of this policy proposal. In addition, it has been analyzed by researchers in the past [3; 4]. It creates a simple tax system in which itemizers and non-itemizers receive the same type of giving incentive. Some critics say any type of deduction is not an equitable incentive, because tying the calculation to the taxpayer's tax rate means the value of the incentive varies based on income. The purpose of this analysis is not to judge the policies either way, but to calculate the effects of each policy option relative to the base.

Overall, the policy is estimated to increase charitable giving dollars by up to \$26.2 billion (an increase of 7.7 percent over current law) and to increase the number of households that donate by up to 7.3 million (an increase of 8.2 percent over current law). The policy would reduce Treasury revenue by up to \$21.6 billion (a decrease of 0.6 percent from current law). Therefore, the policy would bring in up to \$4.6 billion more in charitable dollars than is lost in Treasury revenue. Furthermore, it would bring in up to 338 additional donor households per million dollars lost in Treasury revenue.

<sup>12</sup> The term universal deduction is sometimes used interchangeably with "above-the-line" deduction, but they are not identical. The universal deduction only changes the tax policies with regards to non-itemizers. An "above-the-line" deduction would also slightly change tax policies that affect itemizers by changing how it affects adjusted gross income and taxable income (and possibly changing what AGI limits apply to the deduction). We modeled a universal charitable deduction and did not make any changes to tax policies for itemizers.

Table 5. Effect of a non-itemizer deduction (Policy 1) on charitable giving dollars and number of donors by income bracket, 2021

Income Bracket	Dollars <sup>1</sup>		Donors <sup>2</sup>	
	Billions	Percent	Millions	Percent
Bottom 20%	\$0.1	0.8%	0.1	0.9%
21%-40%	\$2.0	10.8%	0.7	5.6%
41%-60%	\$5.4	16.3%	1.4	8.5%
61%-80%	\$7.9	12.2%	2.1	9.5%
81%-90% <sup>3</sup>	\$5.7	11.6%	1.6	12.5%
91%-99% <sup>3</sup>	\$4.6	5.4%	1.3	9.8%
Top 1% <sup>3</sup>	\$0.5	0.6%	0.1	9.0%
Overall	\$26.2	7.7%	7.3	8.2%

<sup>1</sup>Billions of dollars

<sup>2</sup>Millions of tax units

<sup>3</sup>Fifth quintile: \$10.2 billion (5.0 percent); 3.1 million tax units (11.2 percent)

The non-itemizer deduction could stimulate the most additional charitable dollars from the top quintile (top 20 percent) by increasing giving by up to \$10.2 billion. It would have the largest percentage increase in charitable dollars from the third quintile (41<sup>st</sup> to 60<sup>th</sup> percentile), increasing donations from that income group by up to 16 percent. It would likely bring in the fewest additional charitable dollars from the first quintile (bottom 20 percent) by only increasing giving by up to \$100 million. It would have the smallest percentage increase in charitable dollars from the first quintile (bottom 20 percent), only increasing donations from that income group by up to 1 percent.

The non-itemizer deduction could stimulate the most additional donor households from the top quintile (top 20 percent) by inducing up to 3 million additional households to donate. It would also have the largest percentage increase in donor households in the top quintile (top 20 percent), increasing the number of donor households by up to 11 percent. It would likely bring in the fewest additional donor households from the first quintile (bottom 20 percent) by only inducing up to 100,000 additional households to donate. It would also have the smallest percentage increase in donor households in the first quintile (bottom 20 percent), only increasing the number of donor households by up to 1 percent.

### **Policy 2: Non-itemizer deduction with a \$4,000/\$8,000 cap**

This policy is similar to the non-itemizer deduction in *Policy 1* but adds a cap of \$4,000 for single filers and \$8,000 for married couples filing jointly. In other words, non-itemizers would be able to deduct their charitable giving up to \$4,000 or \$8,000 (depending on whether they are single filers or married couples filing jointly). However, this leaves a gap where gifts above the cap, but below the threshold required to itemize, would not be incentivized. Including a cap is a common proposal attached to deductions to limit the cost to the Treasury. Most recently the *Universal Charitable Giving Act* (HR 3988; S2123) proposed extending the charitable deduction to non-itemizers with a cap equal to one-third of the standard deduction<sup>13</sup> [17; 18].

<sup>13</sup> In 2018, one third of the standard deduction would be \$4,000 for single filers and \$8,000 for married couples filing jointly.

Overall, the policy is estimated to increase charitable giving dollars by up to \$17.4 billion (an increase of 5.1 percent over current law) and to increase the number of households that donate by up to 7.0 million (an increase of 7.9 percent over current law). The policy would reduce Treasury revenue by up to \$19.9 billion (a decrease of 0.5 percent from current law). Therefore, the policy would bring in up to \$2.5 billion less in charitable dollars than is lost in Treasury revenue. Furthermore, it would bring in up to 352 additional donor households per million dollars lost in Treasury revenue (more than any other policy analyzed in this report).

Adding a cap of \$4,000 for single filers and \$8,000 for married couples filing jointly to a non-itemizer charitable deduction could bring in up to \$9 billion less in charitable giving and induce 300,000 fewer households to donate than a non-itemizer charitable deduction without a cap. However, it would reduce the cost to the Treasury by up to \$2 billion compared to a non-itemizer charitable deduction without a cap.

*Table 6. Effect of a non-itemizer deduction with a \$4,000/\$8,000 cap (Policy 2) on charitable giving dollars and number of donors by income bracket, 2021*

Income Bracket	Dollars <sup>1</sup>		Donors <sup>2</sup>	
	Billions	Percent	Millions	Percent
Bottom 20%	\$0.1	0.8%	0.1	0.9%
21%-40%	\$1.5	8.0%	0.7	5.5%
41%-60%	\$3.6	10.8%	1.3	8.2%
61%-80%	\$5.0	7.8%	2.0	9.1%
81%-90% <sup>3</sup>	\$3.9	8.0%	1.6	12.1%
91%-99% <sup>3</sup>	\$3.1	3.6%	1.2	9.4%
Top 1% <sup>3</sup>	\$0.3	0.3%	0.1	8.6%
Overall	\$17.4	5.1%	7.0	7.9%

<sup>1</sup>Billions of dollars

<sup>2</sup>Millions of tax units

<sup>3</sup>Fifth quintile: \$7.2 billion (3.4 percent); 2.9 million tax units (10.5 percent)

The non-itemizer deduction with a \$4,000/\$8,000 cap could stimulate the most additional charitable dollars from the top quintile (top 20 percent) by increasing giving by up to \$7.2 billion. It would have the largest percentage increase in charitable dollars from the third quintile (41<sup>st</sup> to 60<sup>th</sup> percentile), increasing donations from that income group by up to 11 percent. It would likely bring in the fewest additional charitable dollars from the first quintile (bottom 20 percent) by only increasing giving by up to \$100 million. It would have the smallest percentage increase in charitable dollars from the first quintile (bottom 20 percent), only increasing donations from that income group by up to 1 percent.

The non-itemizer deduction with a \$4,000/\$8,000 cap could stimulate the most additional donor households from the top quintile (top 20 percent) by inducing up to 2.9 million additional households to donate. It would also have the largest percentage increase in donor households in the top quintile (top 20 percent), increasing the number of donor households by up to 11 percent. It would likely bring in the fewest additional donor households from the first quintile (bottom 20 percent) by only inducing up to 100,000 additional households to donate. It would also have the smallest percentage increase in donor households in the first quintile (bottom 20 percent), only increasing the number of donor households by up to 1 percent.

### **Policy 3: Non-itemizer deduction with a modified 1% floor**

Adding a floor to the charitable deduction could be an efficient alternative to the normal non-itemizer deduction described in *Policy 1*. It can control the costs to the Treasury, while having a relatively small impact on the amount of money donated. However, a floor is not necessarily equitable across income levels and it may not stimulate more donors among the populations where donor participation is declining, particularly low- and middle-income donors. Therefore, this policy is a modified version of a floor proposal. In this policy all gifts by non-itemizers would receive a 50 percent deduction and gifts over 1 percent of AGI would receive the normal deduction. Itemizers would still receive the current charitable deduction.

#### **What does a modified 1 percent floor mean for taxpayers?**

Gifts below 1% of AGI: deduction = 50% \* contributions  
 Gifts above 1% of AGI: deduction = 100% \* contributions

Here are some simplified examples:<sup>11</sup>

Example 1: A taxpayer making \$50,000 who donated \$1,000 in the 22% tax bracket

0.01 \* taxable income = \$500

Tier 1 deduction = 0.5 \* \$500 = \$250

Tier 2 deduction = \$500

Therefore, the taxpayer can deduct \$750; new AGI = \$49,250

In the 22% tax bracket, they would owe \$10,835 in taxes before credits.

Example 2: A taxpayer making \$75,000 who donated \$1,000 in the 22% tax bracket

0.01 \* taxable income = \$750

Tier 1 deduction = 0.5 \* \$750 = \$375

Tier 2 deduction = \$250

Therefore, the taxpayer can deduct \$625; new AGI = \$74,375

In the 22% tax bracket, they would owe \$16,362.50 in taxes before credits.

This policy attempts to address concerns about equity and number of donors raised by nonprofits and offers a compromise between a universal charitable deduction and a charitable deduction with a floor. However, this policy could increase the compliance costs of taxpayers and the administrative costs of the IRS relative to most other options.<sup>15</sup>

Overall, the policy is estimated to increase charitable giving dollars by up to \$24.9 billion (an increase of 7.3 percent over current law) and to increase the number of households that donate by up to 4.6 million (an increase of 5.2 percent over current law). The policy would reduce Treasury revenue by up to \$17.9 billion (a decrease of 0.5 percent from current law).

<sup>14</sup> These examples ignore all the other deductions and credits, including the standard deduction, which are included in the actual analyses. The purpose of these examples is to simplify and clarify the policy option.

<sup>15</sup> Our analyses do not calculate these costs, but clearly they would be non-trivial.

Therefore, the policy would bring in up to \$7.0 billion more in charitable dollars that is lost in Treasury revenue (more than any other policy analyzed in this report. Furthermore, it would bring in up to 257 additional donor households per million dollars lost in Treasury revenue (fewer than any other policy analyzed in this report).

Adding a modified 1 percent floor to the non-itemizer deduction could bring in up to \$1 billion less in charitable giving and induce 2.7 million fewer households to donate than a basic non-itemizer deduction. However, it would reduce the cost to the Treasury by up to 4 billion compared to a basic non-itemizer charitable deduction.

*Table 7. Effect of a non-itemizer deduction with a modified 1 percent floor (Policy 3) on charitable giving dollars and number of donors by income bracket*

Income Bracket	Dollars <sup>1</sup>		Donors <sup>2</sup>	
	Billions	Percent	Millions	Percent
Bottom 20%	\$0.1	0.8%	0.1	0.6%
21%-40%	\$2.0	10.7%	0.5	3.8%
41%-60%	\$5.3	16.0%	0.9	5.6%
61%-80%	\$7.6	11.8%	1.3	6.1%
81%-90% <sup>3</sup>	\$5.4	11.0%	1.0	7.7%
91%-99% <sup>3</sup>	\$4.2	4.9%	0.8	5.8%
Top 1% <sup>3</sup>	\$0.3	0.4%	0.1	4.7%
Overall	\$24.9	7.3%	4.6	5.2%

<sup>1</sup>Billions of dollars

<sup>2</sup>Millions of tax units

<sup>3</sup>Fifth quintile: \$9.9 billion (4.6 percent); 1.8 million tax units (6.5 percent)

The non-itemizer deduction with a modified 1 percent floor could stimulate the most additional charitable dollars from the top quintile (top 20 percent) by increasing giving by up to \$9.9 billion. It would have the largest percentage increase in charitable dollars from the third quintile (41<sup>st</sup> to 60<sup>th</sup> percentile), increasing donations from that income group by up to 16 percent. It would likely bring in the fewest additional charitable dollars from the first quintile (bottom 20 percent) by only increasing giving by up to \$100 million. It would have the smallest percentage increase in charitable dollars from the first quintile (bottom 20 percent), only increasing donations from that income group by up to 1 percent.

The non-itemizer deduction with a modified 1 percent floor could stimulate the most additional donor households from the top quintile (top 20 percent) by inducing up to 1.8 million additional households to donate. It would also have the largest percentage increase in donor households in the top quintile (top 20 percent), increasing the number of donor households by up to 7 percent. It would likely bring in the fewest additional donor households from the first quintile (bottom 20 percent) by only inducing up to 100,000 additional households to donate. It would also have the smallest percentage increase in donor households in the first quintile (bottom 20 percent), only increasing the number of donor households by less than 1 percent.

**Policy 4: Non-refundable credit for non-itemizers, 25% rate**

This policy would provide a 25 percent non-refundable tax credit to non-itemizers. Credits are generally viewed as fairer than deductions [48] because all taxpayers receive the same benefit regardless of their marginal tax rate.<sup>16</sup> There are concerns about the longevity of this policy, because policymakers may be able to lower the percent value of the credit over time without taxpayers noticing. Other studies indicate that when the tax credit percentage dips below a certain percentage, it no longer incentivizes giving as well as other policies.

Overall, the policy is estimated to increase charitable giving dollars by up to \$36.9 billion (an increase of 10.8 percent over current law) and to increase the number of households that donate by up to 10.6 million (an increase of 12.0 percent over current law). The policy would reduce Treasury revenue by up to \$33.0 billion (a decrease of 0.9 percent from current law). Therefore, the policy would bring in up to \$3.9 billion more in charitable dollars that is lost in Treasury revenue. Furthermore, it would bring in up to 321 additional donor households per million dollars lost in Treasury revenue.

*Table 8. Effect of a 25 percent non-refundable credit for non-itemizers (Policy 4) on charitable giving dollars and number of donors by income bracket*

Income Bracket	Dollars <sup>1</sup>		Donors <sup>2</sup>	
	Billions	Percent	Millions	Percent
Bottom 20%	\$0.1	0.9%	0.2	1.9%
21%-40%	\$3.3	17.4%	1.5	11.9%
41%-60%	\$8.6	25.9%	2.4	14.6%
61%-80%	\$12.9	20.0%	3.3	15.1%
81%-90% <sup>3</sup>	\$6.9	14.1%	1.9	14.2%
91%-99% <sup>3</sup>	\$4.8	5.6%	1.3	10.1%
Top 1% <sup>3</sup>	\$0.4	0.5%	0.1	6.6%
Overall	\$36.9	10.8%	10.6	12.0%

<sup>1</sup>Billions of dollars

<sup>2</sup>Millions of tax units

<sup>3</sup>Fifth quintile: \$12.1 billion (5.7 percent); 3.3 million tax units (12.0 percent)

The 25 percent non-refundable credit could stimulate the most additional charitable dollars from the fourth quintile (61<sup>st</sup> to 80<sup>th</sup> percentile) by increasing giving by up to \$12.9 billion. It would have the largest percentage increase in charitable dollars from the third quintile (41<sup>st</sup> to 60<sup>th</sup> percentile), increasing donations from that income group by up to 26 percent. It would likely bring in the fewest additional charitable dollars from the first quintile (bottom 20 percent) by only increasing giving by up to \$100 million. It would have the smallest percentage increase in charitable dollars from the first quintile (bottom 20 percent), only increasing donations from that income group by up to 1 percent.

The 25 percent non-refundable credit could stimulate the most additional donor households from the fourth quintile (61<sup>st</sup> to 80<sup>th</sup> percentile) by inducing up to 3.3 million additional households to donate. It would also have the largest percentage increase in donor households

<sup>16</sup> Dollar benefit per dollar donated (which is not the case for a charitable tax deduction).

in the fourth quintile (61<sup>st</sup> to 80<sup>th</sup> percentile), increasing the number of donor households by up to 15 percent. It would likely bring in the fewest additional donor households from the first quintile (bottom 20 percent) by only inducing up to 200,000 additional households to donate. It would also have the smallest percentage increase in donor households in the first quintile (bottom 20 percent), only increasing the number of donor households by up to 2 percent.

The 25 percent non-refundable credit stimulates more additional dollars and more households to donate than any of the other policy options at every income level except the top 1 percent (See *Appendix B*).

### **Policy 5: Enhanced non-itemizer deduction**

This policy would provide non-itemizers an enhanced charitable deduction. The enhanced deduction would allow single-filers making less than \$20,000 (or married couples filing jointly making less than \$40,000) to deduct 200 percent of their charitable giving, single-filers making between \$20,000 and \$40,000 (or married couples filing jointly making between \$40,000 and \$80,000) to deduct 150 percent of their charitable giving, and single-filers making over \$40,000 (or married couples filing jointly making more than \$80,000) to deduct 100 percent of their giving (see *Table 9*).<sup>17</sup> This policy is modeled after a policy recommendation from the Filer Commission [49] and is an attempt at creating a more progressive and equitable tax incentive that is tied to taxpayer need. The policy fits well along-side itemizer incentives, but ensures low- and middle-income households receive greater incentives (i.e. lower cost of giving) compared to higher-income households.

*Table 9. Deduction enhancements by income level for single filers and married couples filing jointly*

Deduction	Income levels for single filers	Income levels for married couples filing jointly
200% * contributions	<\$20,000	<\$40,000
150% * contributions	\$20,000-\$39,999.99	\$40,000-\$79,999.99
Contributions (100%)	≥\$40,000	≥\$80,000

Overall, the policy is estimated to increase charitable giving dollars by up to \$29.2 billion (an increase of 8.5 percent over current law) and to increase the number of households that donate by up to 8.4 million (an increase of 9.5 percent over current law). The policy would reduce Treasury revenue by up to \$24.3 billion (a decrease of 0.7 percent from current law). Therefore, the policy would bring in up to \$4.9 billion more in charitable dollars that is lost in Treasury revenue. Furthermore, it would bring in up to 346 additional donor households per million dollars lost in Treasury revenue.

This enhanced deduction could bring in up to \$3 billion more in charitable giving and induce 1.3 million more households to donate than the basic non-itemizer deduction. In addition, it could cost the Treasury up to \$2 billion more than the basic non-itemizer deduction.

<sup>17</sup> Deducting 100 percent is equivalent to the basic charitable deduction.

Table 10. Effect of an enhanced non-itemizer deduction (Policy 5) on charitable giving dollars and number of donors by income bracket

Income Bracket	Dollars <sup>1</sup>		Donors <sup>2</sup>	
	Billions	Percent	Millions	Percent
Bottom 20%	0.1	0.9%	0.2	1.6%
21%-40%	2.7	14.5%	1.2	9.0%
41%-60%	6.6	19.8%	1.8	10.9%
61%-80%	8.9	13.9%	2.3	10.6%
81%-90% <sup>3</sup>	5.7	11.6%	1.6	12.5%
91%-99% <sup>3</sup>	4.6	5.4%	1.3	9.8%
Top 1% <sup>3</sup>	0.5	0.6%	0.1	9.0%
Overall	\$29.2	8.5%	8.4	9.5%

<sup>1</sup>Billions of dollars

<sup>2</sup>Millions of tax units

<sup>3</sup>Fifth quintile: \$10.8 billion (5.0 percent); 3.1 million tax units (11.2 percent)

The enhanced non-itemizer deduction could stimulate the most additional charitable dollars from the top quintile (top 20 percent) by increasing giving by up to \$10.8 billion. It would have the largest percentage increase in charitable dollars from the third quintile (41<sup>st</sup> to 60<sup>th</sup> percentile), increasing donations from that income group by up to 20 percent. It would likely bring in the fewest additional charitable dollars from the first quintile (bottom 20 percent) by only increasing giving by up to \$100 million. It would have the smallest percentage increase in charitable dollars from the first quintile (bottom 20 percent), only increasing donations from that income group by up to 1 percent.

The enhanced non-itemizer deduction could stimulate the most additional donor households from the top quintile (top 20 percent) by inducing up to 3 million additional households to donate. It would also have the largest percentage increase in donor households in the top quintile (top 20 percent), increasing the number of donor households by up to 11 percent. It would likely bring in the fewest additional donor households from the first quintile (bottom 20 percent) by only inducing up to 200,000 additional households to donate. It would also have the smallest percentage increase in donor households in the first quintile (bottom 20 percent), only increasing the number of donor households by up to 1 percent.

## Conclusion

While charitable giving has been increasing since the Great Recession [1], the share of American households that donate decreased from 2000 to 2014 [2; 19]. Not only has this led to fears that the positive trend in charitable giving dollars is not sustainable [19], but it raises issues of equity among donors and nonprofits since giving is becoming increasingly concentrated among high-income households [9; 10; 20]. Furthermore, the 2017 Tax Cuts and Jobs Act was one of the largest changes to federal income tax policy in recent history and it was expected to have a significant negative impact on charitable giving [3-5; 50-52]. Nonprofit leaders and policymakers have been trying to find policy options that stimulate charitable giving (both total dollars donated and the number of households that donate) and are equitable. The five policy proposals analyzed in this report target tax reform for non-itemizers,

which primarily includes low- and middle-income households. While four of the five proposals could potentially offset the predicted drop in charitable dollars as a result of TCJA, a non-refundable 25 percent tax credit would have the largest positive impact overall, in addition to being one of the fairer proposals. Furthermore, all five proposals more than offset the predicted drop in number of donor households as a result of TCJA, with the non-refundable 25 percent tax credit having the largest positive impact on the number of households that donate to nonprofits overall and at every income level except the top 1 percent.

While the non-refundable 25 percent tax credit has the biggest positive impact on *gross* charitable giving dollars and number of donor households, it is also the most expensive option for the Treasury. Therefore, it is important to consider which policy has the largest *net* positive impact on charitable dollars and the number of donor households compared to the cost to the Treasury. The non-itemizer deduction with a modified 1 percent floor has the largest positive net impact on charitable dollars, bringing in an estimated \$7 billion more in charitable dollars than are lost in Treasury revenue (in other words, this policy brings in \$1.39 for each \$1 lost in Treasury revenue). The non-itemizer deduction with a \$4,000/\$8,000 cap has the largest impact on the number of donor households compared to Treasury costs; it would induce an additional 352 households to donate to nonprofits for each \$1 million lost in Treasury revenue.

There are many issues to consider when examining the impact of tax policies. Not only should nonprofit leaders and advocates as well as policymakers consider the effect of each policy on charitable giving dollars, the number of households that donate, and Treasury revenue, but they should consider issues of donor equity and efficiency. This report is meant to provide empirical data to inform conversations surrounding incentives for charitable giving for non-itemizers.

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## Appendix A. Methodology

### Penn Wharton Budget Model

The Penn Wharton Budget Model microsimulation (PWBMsim) models the United States economy to examine the effects of government policies. It takes into account the nation's demographic and economic backdrop by using a simulated dataset (micro data) that represents the population of the United States in any given year beginning in 1996. The micro data is based on a number of data sources, including the Current Population Survey (CPS), Panel Study of Income Dynamics (PSID), and numerous other surveys. Demographic attributes of individuals and families are assigned in the following order:

1. Family head and immigration status (i.e. foreign born or domestic born)
2. Family status and attributes (e.g. single individual, single-headed individual with children, or married individual with or without children)
3. Assignment of individual attributes to members of the family (ethnicity, gender, education level, disability status, employment status, work weeks in the year, etc.)
4. Each year annual transitions are assigned to each individual as well (age +1, birth, death, marriage and/or divorce, educational attainment, etc.)

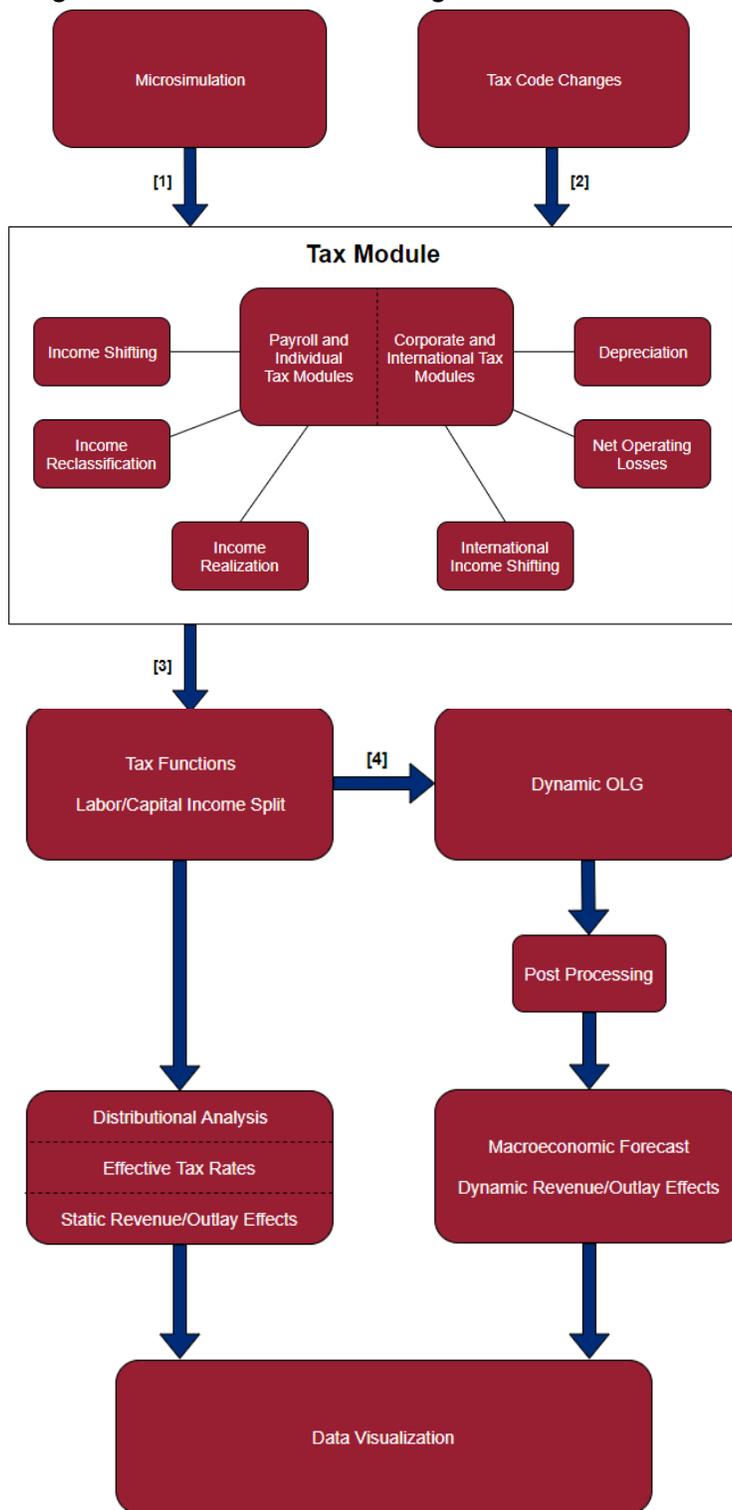
Additional information on how the Penn Wharton Budget Model microsimulation assigns and measures individual and family attributes can be found on their website at

<http://budgetmodel.wharton.upenn.edu/microsimulation>

Macroeconomic variables are also applied to the model. These include gross domestic product (GDP), employment, labor productivity, capital stock, capital-labor ratio, as well as revenue, expenditures, the federal deficit and government debt.

The Tax Module uses the microsimulation model and applies it to different types of taxfilers to forecast federal tax revenues. In addition, it has been modified to project charitable giving dollars and number of donor households. *Image A-1* illustrates the workflow of the Tax Module, using a dynamic feedback model which considers the feedback effects of how changes in tax policy affect the U.S. economy and the federal budget.

Image A.1. Penn Wharton Budget Model's Tax Module (PWBM-TM)



[1] The Microsimulation outputs a myriad of variables. These variables include information on households (wage, gender, kids, etc.) as well as macroeconomic series.

[2] These changes can take many forms. Examples include changes in statutory rates, deduction allowances, or credit eligibility.

[3] The outputs of the Tax Module include revenues, outlays, and distributional analytics.

[4] Revenues, outlays, and tax rates

Source: Penn Wharton Budget Model. Tax Module. Retrieved from <http://budgetmodel.wharton.upenn.edu/tax-module>

## Tax-Price Elasticity of Giving

These analyses rely on tax-price elasticities of giving that were calculated in a previous study [3]. In that study, we used the Philanthropy Panel Study (PPS) [2] and the Panel Study of Income Dynamics (PSID) [44] to calculate income-dependent elasticities. Most previous research that calculates tax-price elasticities relied on tax data from the IRS, which does not include giving by non-itemizers [53; 54]. Moreover, research estimating the effects of various tax policies on charitable giving have either used these elasticities based on tax-data or have relied on standard, conservative elasticities of -1.0 or -0.5 [45; 46]. Therefore, for the sake of comparison and completeness, all analyses were run using three sets of elasticities (-0.5, -1.0, and income-dependent elasticities). For more information on the calculation of the income-dependent elasticities, as well as on the scholarly work on the tax-price elasticity of giving, see Rooney, Osili, Zarins, & Bergdoll (2017).

## Limitations

While this study has many strengths, there are some limitations that should be noted:

- (1) Policy options may change: This study attempts to analyze the most relevant policy options available. However, these policies could change as the debates among nonprofit leaders, advocates, and policymakers continue. Not only can these policies change prior to their introduction as bills in the United States Congress, but those that are or have been introduced as likely to be changed during negotiations throughout the relevant committee, House, and Senate debates.
- (2) Magnitude of TCJA: TCJA was a significant change to federal tax policy. While a lot of research is being done to both predict and measure the effects, the actual effects are still unclear and won't be fully understood for many years.
- (3) Underlying data: The literature shows that research on the effects of tax policy varies based on the dataset used. Therefore, while we used the best available data, it is possible that other datasets could produce different results.
- (4) Unmeasured effects: There are some considerations that are important when considering changes to tax policy that were not measured or estimated as part of this study. For example, we did not estimate the administrative costs of implementing the individual policies. In addition, the effects of the various policies could vary by region or state,<sup>18</sup> which is also an important consideration.

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<sup>18</sup> Individual state tax policies can also affect charitable giving and revenue.

## Appendix B. Tables comparing policy options within income groups

Table B.1: Charitable giving dollars (billions of dollars), 2021

Income bracket	Bottom 20%	21%-40%	41%-60%	61%-80%	81%-90%	91%-99%	Top 1%
Baseline	\$11.5	\$18.9	\$33.3	\$64.2	\$48.9	\$85.4	\$79.7
<i>Change from 2021 baseline (current law)</i>							
(1) Non-itemizer deduction (UCD*)	\$0.1 (0.8%)	\$2.0 (10.8%)	\$5.4 (16.3%)	\$7.9 (12.2%)	\$5.7 (11.6%)	\$4.6 (5.4%)	\$0.5 (0.6%)
(2) UCD with \$4,000/\$8000 cap	\$0.1 (0.8%)	\$1.5 (8.0%)	\$3.6 (10.8%)	\$5.0 (7.8%)	\$3.9 (8.3%)	\$3.1 (3.6%)	\$0.3 (0.3%)
(3) UCD with modified 1% floor	\$0.1 (0.8%)	\$2.0 (10.7%)	\$5.3 (16.0%)	\$7.6 (11.8%)	\$5.4 (11.3%)	\$4.2 (4.9%)	\$0.3 (0.4%)
(4) 25% Credit	\$0.1 (0.9%)	<b>\$3.3 (17.4%)</b>	<b>\$8.6 (25.9%)</b>	<b>\$12.9 (20.0%)</b>	<b>\$6.9 (14.1%)</b>	<b>\$4.8 (5.6%)</b>	\$0.4 (0.5%)
(5) Enhanced UCD	<b>\$0.1 (0.9%)</b>	\$2.7 (14.5%)	\$6.6 (19.8%)	\$8.9 (13.9%)	\$5.7 (11.6%)	\$4.6 (5.4%)	<b>\$0.5 (0.6%)</b>

\*Universal charitable deduction

Red numbers indicate the policy that makes the largest positive impact on charitable giving dollars for each income group

Table B.2: Number of donor households (millions of tax units), 2021

Income bracket	Bottom 20%	21%-40%	41%-60%	61%-80%	81%-90%	91%-99%	Top 1%
Baseline	10.3	12.9	16.2	21.5	13.1	13.0	1.5
<i>Change from 2021 baseline (current law)</i>							
(1) Non-itemizer deduction (UCD*)	0.1 (0.9%)	0.7 (5.6%)	1.4 (8.5%)	2.1 (9.5%)	1.6 (12.5%)	1.3 (9.8%)	0.1 (9.0%)
(2) UCD with \$4,000/\$8000 cap	0.1 (0.9%)	0.7 (5.5%)	1.3 (8.2%)	2.0 (9.1%)	1.6 (12.1%)	1.2 (9.4%)	0.1 (8.6%)
(3) UCD with modified 1% floor	0.1 (0.6%)	0.5 (3.8%)	0.9 (5.6%)	1.3 (6.1%)	1.0 (7.7%)	0.8 (5.8%)	0.1 (4.7%)
(4) 25% Credit	<b>0.2 (1.9%)</b>	<b>1.5 (11.9%)</b>	<b>2.4 (14.6%)</b>	<b>3.3 (15.1%)</b>	<b>1.9 (14.2%)</b>	<b>1.3 (10.1%)</b>	0.1 (6.6%)
(5) Enhanced UCD	0.2 (1.6%)	1.2 (9.0%)	1.8 (10.9%)	2.3 (10.6%)	1.6 (12.5%)	1.3 (9.8%)	<b>0.1 (9.0%)</b>

\*Universal charitable deduction

Red numbers indicate the policy that makes the largest positive impact on the number of donor households for each income group

## Appendix C. Full Tables

### Projected revenue loss under various tax reform proposals, 2020-2029

Billions of dollars

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
<b>Non-itemizer deduction</b>											
<i>Static</i>	-14.4	-19.3	-20.0	-20.7	-21.5	-22.4	-14.0	-11.9	-12.3	-12.7	-169.3
<i>Low elasticity</i>	-15.0	-20.0	-20.8	-21.6	-22.5	-23.4	-14.7	-12.4	-12.9	-13.3	-176.6
<i>High elasticity</i>	-15.5	-20.8	-21.6	-22.4	-23.2	-24.1	-15.3	-12.9	-13.4	-13.8	-183.1
<i>Income-based elasticities</i>	-16.1	-21.6	-22.4	-23.3	-24.2	-25.2	-16.1	-13.8	-14.4	-14.9	-192.0
<b>Non-itemizer deduction, \$4,000/\$8000 cap</b>											
<i>Static</i>	-13.1	-17.5	-18.1	-18.8	-19.5	-20.3	-12.9	-11.0	-11.5	-11.8	-154.4
<i>Low elasticity</i>	-13.8	-18.4	-19.1	-19.8	-20.6	-21.4	-13.7	-11.8	-12.2	-12.6	-163.4
<i>High elasticity</i>	-14.4	-19.2	-19.9	-20.6	-21.4	-22.3	-14.5	-12.4	-13.0	-13.4	-171.1
<i>Income-based elasticities</i>	-14.8	-19.9	-20.6	-21.4	-22.2	-23.2	-15.4	-13.5	-14.1	-14.5	-179.6
<b>Non-itemizer deduction, modified 1% AGI floor</b>											
<i>Static</i>	-11.7	-15.7	-16.3	-16.9	-17.5	-18.2	-11.6	-9.8	-10.2	-10.5	-138.5
<i>Low elasticity</i>	-12.3	-16.4	-17.1	-17.7	-18.4	-19.1	-12.2	-10.3	-10.7	-11.0	-145.1
<i>High elasticity</i>	-12.8	-17.1	-17.7	-18.4	-19.1	-19.8	-12.7	-10.8	-11.2	-11.5	-151.0
<i>Income-based elasticities</i>	-13.4	-17.9	-18.5	-19.3	-20.0	-20.9	-13.4	-11.5	-12.1	-12.4	-159.4
<b>Non-refundable credit for non-itemizers, 25% rate</b>											
<i>Static</i>	-20.6	-27.5	-28.6	-29.6	-30.6	-31.7	-19.5	-16.2	-16.8	-17.3	-238.4
<i>Low elasticity</i>	-21.9	-29.3	-30.4	-31.5	-32.6	-33.8	-20.8	-17.3	-17.9	-18.5	-254.0
<i>High elasticity</i>	-23.2	-31.0	-32.1	-33.2	-34.5	-35.7	-21.8	-17.9	-18.5	-19.1	-266.9
<i>Income-based elasticities</i>	-24.6	-33.0	-34.2	-35.4	-36.8	-38.3	-23.3	-19.3	-20.2	-20.8	-285.9
<b>Enhanced non-itemizer deduction</b>											
<i>Static</i>	-15.9	-21.3	-22.1	-22.9	-23.8	-24.8	-16.3	-14.1	-14.7	-15.1	-191.0
<i>Low elasticity</i>	-16.6	-22.3	-23.2	-24.1	-25.0	-26.0	-17.1	-14.8	-15.5	-15.9	-200.5
<i>High elasticity</i>	-17.3	-23.2	-24.1	-25.0	-26.0	-27.0	-17.9	-15.5	-16.1	-16.6	-208.7
<i>Income-based elasticities</i>	-18.2	-24.3	-25.3	-26.3	-27.4	-28.5	-19.0	-16.7	-17.5	-18.1	-221.2

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policies take effect in 2020. Years are fiscal year concept. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

## Projected revenue loss under various tax reform proposals, 2020-2029

Percent change from baseline total federal revenues

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
<b>Non-itemizer deduction</b>											
<i>Static</i>	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.2%	-0.2%	-0.2%	-0.4%
<i>Low elasticity</i>	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.3%	-0.3%	-0.3%	-0.4%
<i>High elasticity</i>	-0.4%	-0.6%	-0.6%	-0.5%	-0.5%	-0.5%	-0.3%	-0.3%	-0.3%	-0.3%	-0.4%
<i>Income-based elasticities</i>	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.3%	-0.3%	-0.3%	-0.3%	-0.4%
<b>Non-itemizer deduction, \$4,000/\$8000 cap</b>											
<i>Static</i>	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.2%	-0.2%	-0.2%	-0.4%
<i>Low elasticity</i>	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.2%	-0.2%	-0.2%	-0.4%
<i>High elasticity</i>	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.3%	-0.3%	-0.3%	-0.4%
<i>Income-based elasticities</i>	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.3%	-0.3%	-0.3%	-0.4%
<b>Non-itemizer deduction, modified 1% AGI floor</b>											
<i>Static</i>	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%	-0.2%	-0.2%	-0.2%	-0.3%
<i>Low elasticity</i>	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.3%	-0.2%	-0.2%	-0.2%	-0.3%
<i>High elasticity</i>	-0.4%	-0.5%	-0.5%	-0.4%	-0.4%	-0.4%	-0.3%	-0.2%	-0.2%	-0.2%	-0.3%
<i>Income-based elasticities</i>	-0.4%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.3%	-0.2%	-0.2%	-0.2%	-0.4%
<b>Non-refundable credit for non-itemizers, 25% rate</b>											
<i>Static</i>	-0.6%	-0.7%	-0.7%	-0.7%	-0.7%	-0.7%	-0.4%	-0.3%	-0.3%	-0.3%	-0.5%
<i>Low elasticity</i>	-0.6%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.5%	-0.4%	-0.4%	-0.3%	-0.6%
<i>High elasticity</i>	-0.6%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%	-0.5%	-0.4%	-0.4%	-0.4%	-0.6%
<i>Income-based elasticities</i>	-0.7%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.5%	-0.4%	-0.4%	-0.4%	-0.7%
<b>Enhanced non-itemizer deduction</b>											
<i>Static</i>	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.4%	-0.3%	-0.3%	-0.3%	-0.4%
<i>Low elasticity</i>	-0.5%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.4%	-0.3%	-0.3%	-0.3%	-0.5%
<i>High elasticity</i>	-0.5%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.4%	-0.3%	-0.3%	-0.3%	-0.5%
<i>Income-based elasticities</i>	-0.5%	-0.7%	-0.6%	-0.6%	-0.6%	-0.6%	-0.4%	-0.3%	-0.3%	-0.3%	-0.5%

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policies take effect in 2020. Years are fiscal year concept. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

## Projected change in charitable giving by individuals under various tax reform proposals, 2018-2029

Billions of dollars

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b>	301.4	316.1	329.1	341.9	356.0	368.5	382.6	397.7	435.7	454.4	473.9	488.9
<b>Non-itemizer deduction</b>												
<i>Low elasticity</i>	-	-	8.4	8.7	9.1	9.4	9.8	10.2	5.2	5.4	5.6	5.7
<i>High elasticity</i>	-	-	16.8	17.5	18.2	18.8	19.5	20.3	10.3	10.7	11.2	11.4
<i>Income-based elasticities</i>	-	-	24.9	26.2	27.7	29.0	30.4	32.1	19.1	20.2	21.3	22.1
<b>Non-itemizer deduction, \$4,000/\$8,000 cap</b>												
<i>Low elasticity</i>	-	-	5.6	5.8	6.0	6.2	6.4	6.7	3.7	3.8	4.0	4.1
<i>High elasticity</i>	-	-	11.2	11.6	12.1	12.4	12.9	13.4	7.3	7.6	7.9	8.1
<i>Income-based elasticities</i>	-	-	16.6	17.4	18.4	19.2	20.2	21.4	13.7	14.4	15.2	15.8
<b>Non-itemizer deduction, modified 1% AGI floor</b>												
<i>Low elasticity</i>	-	-	7.9	8.2	8.6	8.9	9.2	9.6	4.9	5.1	5.3	5.5
<i>High elasticity</i>	-	-	15.9	16.5	17.2	17.7	18.4	19.1	9.9	10.2	10.6	10.9
<i>Income-based elasticities</i>	-	-	23.7	24.9	26.3	27.5	28.9	30.5	18.3	19.3	20.4	21.2
<b>Non-refundable credit for non-itemizers, 25% rate</b>												
<i>Low elasticity</i>	-	-	11.4	11.9	12.4	12.8	13.2	13.7	6.8	7.0	7.3	7.5
<i>High elasticity</i>	-	-	22.8	23.8	24.7	25.6	26.5	27.4	13.5	14.1	14.6	15.0
<i>Income-based elasticities</i>	-	-	35.1	36.9	38.9	40.7	42.7	44.8	25.4	26.9	28.3	29.5
<b>Enhanced non-itemizer deduction</b>												
<i>Low elasticity</i>	-	-	9.2	9.5	9.9	10.3	10.7	11.1	6.0	6.2	6.5	6.7
<i>High elasticity</i>	-	-	18.3	19.1	19.9	20.6	21.4	22.2	12.0	12.4	13.0	13.3
<i>Income-based elasticities</i>	-	-	27.7	29.2	30.8	32.3	34.0	35.9	22.5	23.8	25.2	26.2
<b>Addendum: Pre-TCJA baseline</b>	318.4	333.8	347.2	360.3	375.1	388.6	403.4	419.2	435.7	454.4	473.9	488.9

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policies take effect in 2020. Years are calendar year concept. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

## Projected change in charitable giving by individuals under various tax reform proposals, 2018-2029

Percent change from baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b> (billions of dollars)	301.4	316.1	329.1	341.9	356.0	368.5	382.6	397.7	435.7	454.4	473.9	488.9
<b>Non-itemizer deduction</b>												
<i>Low elasticity</i>	-	-	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	1.2%	1.2%	1.2%	1.2%
<i>High elasticity</i>	-	-	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	2.4%	2.4%	2.4%	2.3%
<i>Income-based elasticities</i>	-	-	7.6%	7.7%	7.8%	7.9%	7.9%	8.1%	4.4%	4.4%	4.5%	4.5%
<b>Non-itemizer deduction, \$4,000/\$8,000 cap</b>												
<i>Low elasticity</i>	-	-	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	0.8%	0.8%	0.8%	0.8%
<i>High elasticity</i>	-	-	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	1.7%	1.7%	1.7%	1.7%
<i>Income-based elasticities</i>	-	-	5.1%	5.1%	5.2%	5.2%	5.3%	5.4%	3.1%	3.2%	3.2%	3.2%
<b>Non-itemizer deduction, modified 1% AGI floor</b>												
<i>Low elasticity</i>	-	-	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	1.1%	1.1%	1.1%	1.1%
<i>High elasticity</i>	-	-	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	2.3%	2.3%	2.2%	2.2%
<i>Income-based elasticities</i>	-	-	7.2%	7.3%	7.4%	7.5%	7.5%	7.7%	4.2%	4.3%	4.3%	4.3%
<b>Non-refundable credit for non-itemizers, 25% rate</b>												
<i>Low elasticity</i>	-	-	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	1.6%	1.5%	1.5%	1.5%
<i>High elasticity</i>	-	-	6.9%	7.0%	6.9%	6.9%	6.9%	6.9%	3.1%	3.1%	3.1%	3.1%
<i>Income-based elasticities</i>	-	-	10.7%	10.8%	10.9%	11.0%	11.2%	11.3%	5.8%	5.9%	6.0%	6.0%
<b>Enhanced non-itemizer deduction</b>												
<i>Low elasticity</i>	-	-	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	1.4%	1.4%	1.4%	1.4%
<i>High elasticity</i>	-	-	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	2.8%	2.7%	2.7%	2.7%
<i>Income-based elasticities</i>	-	-	8.4%	8.5%	8.7%	8.8%	8.9%	9.0%	5.2%	5.2%	5.3%	5.4%
<b>Addendum: Pre-TCJA baseline</b>	318.4	333.8	347.2	360.3	375.1	388.6	403.4	419.2	435.7	454.4	473.9	488.9

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policies take effect in 2020. Years are calendar year concept. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

## Projected change in charitable giving by income, 2018-2029: Non-itemizer deduction

Percent change from baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b> (billions of dollars)	301.4	316.1	329.1	341.9	356.0	368.5	382.6	397.7	435.7	454.4	473.9	488.9
<i>Bottom quintile</i>	10.4	10.8	11.2	11.5	11.9	12.2	12.6	13.0	13.5	14.0	14.4	14.7
<i>Second quintile</i>	16.8	17.6	18.1	18.9	19.5	20.1	20.7	21.3	22.5	23.3	24.2	24.9
<i>Third quintile</i>	29.5	30.9	32.2	33.3	34.4	35.6	36.7	38.0	40.7	42.0	43.7	45.0
<i>Fourth quintile</i>	57.3	59.8	61.9	64.2	66.5	68.5	70.9	73.4	79.5	82.2	85.5	87.7
<i>80% - 90%</i>	43.7	45.6	47.3	48.9	50.3	51.9	53.3	55.1	60.0	62.3	64.3	66.0
<i>90% - 99%</i>	74.7	78.5	81.9	85.4	89.3	92.9	97.1	101.0	112.3	117.7	122.9	127.2
<i>Top 1%</i>	68.9	72.8	76.3	79.7	84.0	87.3	91.4	95.9	107.2	112.9	118.9	123.4
<b>Policy, low elasticity</b>												
<i>Bottom quintile</i>	-	-	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.6%	0.6%	0.6%	0.6%
<i>Second quintile</i>	-	-	2.4%	2.4%	2.5%	2.5%	2.5%	2.6%	2.6%	2.7%	2.7%	2.7%
<i>Third quintile</i>	-	-	3.7%	3.8%	3.8%	3.8%	3.8%	3.9%	2.8%	2.8%	2.8%	2.8%
<i>Fourth quintile</i>	-	-	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	2.4%	2.4%	2.3%	2.3%
<i>80% - 90%</i>	-	-	4.5%	4.5%	4.6%	4.6%	4.6%	4.6%	1.7%	1.6%	1.7%	1.7%
<i>90% - 99%</i>	-	-	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	0.4%	0.4%	0.4%	0.4%
<i>Top 1%</i>	-	-	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.0%	0.1%	0.1%	0.1%
<b>Policy, high elasticity</b>												
<i>Bottom quintile</i>	-	-	0.3%	0.4%	0.3%	0.4%	0.4%	0.4%	1.1%	1.2%	1.3%	1.3%
<i>Second quintile</i>	-	-	4.8%	4.8%	4.9%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.4%
<i>Third quintile</i>	-	-	7.5%	7.5%	7.6%	7.6%	7.6%	7.7%	5.6%	5.7%	5.7%	5.6%
<i>Fourth quintile</i>	-	-	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	4.7%	4.7%	4.7%	4.7%
<i>80% - 90%</i>	-	-	9.0%	9.1%	9.1%	9.2%	9.2%	9.3%	3.4%	3.3%	3.4%	3.4%
<i>90% - 99%</i>	-	-	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	0.8%	0.7%	0.7%	0.7%
<i>Top 1%</i>	-	-	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.1%	0.1%	0.1%	0.1%
<b>Policy, income-based elasticities</b>												
<i>Bottom quintile</i>	-	-	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	2.5%	2.7%	2.8%	2.8%
<i>Second quintile</i>	-	-	10.8%	10.8%	11.0%	11.0%	11.2%	11.5%	11.7%	11.9%	12.0%	-88.0%
<i>Fourth quintile</i>	-	-	15.7%	16.3%	17.1%	17.7%	18.4%	19.2%	14.9%	15.3%	15.5%	15.6%
<i>Third quintile</i>	-	-	12.2%	12.2%	12.3%	12.2%	12.2%	12.2%	7.0%	7.2%	7.3%	7.5%
<i>80% - 90%</i>	-	-	11.3%	11.6%	12.0%	12.3%	12.7%	13.1%	5.5%	5.6%	5.8%	5.9%
<i>90% - 99%</i>	-	-	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	0.9%	0.9%	0.9%	0.8%
<i>Top 1%</i>	-	-	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.1%	0.1%	0.1%	0.1%

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policy takes effect in 2020. Years are calendar year concept. AGI percentiles are calculated exclusive of filers with negative AGI. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

**Projected change in charitable giving by income, 2018-2029: Non-itemizer deduction, \$4,000/\$8,000 cap**

Percent change from baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b> (billions of dollars)	301.4	316.1	329.1	341.9	356.0	368.5	382.6	397.7	435.7	454.4	473.9	488.9
<i>Bottom quintile</i>	10.4	10.8	11.2	11.5	11.9	12.2	12.6	13.0	13.5	14.0	14.4	14.7
<i>Second quintile</i>	16.8	17.6	18.1	18.9	19.5	20.1	20.7	21.3	22.5	23.3	24.2	24.9
<i>Third quintile</i>	29.5	30.9	32.2	33.3	34.4	35.6	36.7	38.0	40.7	42.0	43.7	45.0
<i>Fourth quintile</i>	57.3	59.8	61.9	64.2	66.5	68.5	70.9	73.4	79.5	82.2	85.5	87.7
<i>80% - 90%</i>	43.7	45.6	47.3	48.9	50.3	51.9	53.3	55.1	60.0	62.3	64.3	66.0
<i>90% - 99%</i>	74.7	78.5	81.9	85.4	89.3	92.9	97.1	101.0	112.3	117.7	122.9	127.2
<i>Top 1%</i>	68.9	72.8	76.3	79.7	84.0	87.3	91.4	95.9	107.2	112.9	118.9	123.4
<b>Policy, low elasticity</b>												
<i>Bottom quintile</i>	-	-	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.5%	0.5%	0.6%	0.6%
<i>Second quintile</i>	-	-	1.8%	1.8%	1.8%	1.8%	1.8%	1.9%	2.0%	2.0%	2.0%	2.0%
<i>Third quintile</i>	-	-	2.5%	2.5%	2.5%	2.5%	2.5%	2.6%	2.0%	2.0%	2.0%	2.0%
<i>Fourth quintile</i>	-	-	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	1.6%	1.6%	1.6%	1.6%
<i>80% - 90%</i>	-	-	3.1%	3.1%	3.1%	3.1%	3.2%	3.2%	1.2%	1.2%	1.2%	1.2%
<i>90% - 99%</i>	-	-	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	0.3%	0.3%	0.3%	0.3%
<i>Top 1%</i>	-	-	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
<b>Policy, high elasticity</b>												
<i>Bottom quintile</i>	-	-	0.3%	0.4%	0.3%	0.4%	0.4%	0.4%	1.0%	1.1%	1.1%	1.2%
<i>Second quintile</i>	-	-	3.6%	3.6%	3.6%	3.6%	3.7%	3.8%	3.9%	4.0%	4.0%	4.0%
<i>Third quintile</i>	-	-	5.0%	5.0%	5.1%	5.0%	5.1%	5.1%	4.1%	4.1%	4.1%	4.1%
<i>Fourth quintile</i>	-	-	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	3.2%	3.2%	3.2%	3.2%
<i>80% - 90%</i>	-	-	6.2%	6.2%	6.3%	6.3%	6.3%	6.4%	2.4%	2.4%	2.4%	2.4%
<i>90% - 99%</i>	-	-	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	0.6%	0.5%	0.5%	0.5%
<i>Top 1%</i>	-	-	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%
<b>Policy, income-based elasticities</b>												
<i>Bottom quintile</i>	-	-	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	2.3%	2.4%	2.5%	2.6%
<i>Second quintile</i>	-	-	8.0%	8.0%	8.1%	8.1%	8.2%	8.5%	8.8%	8.9%	8.9%	9.0%
<i>Fourth quintile</i>	-	-	10.4%	10.8%	11.4%	11.8%	12.3%	12.9%	10.7%	11.0%	11.1%	11.3%
<i>Third quintile</i>	-	-	7.8%	7.8%	7.8%	7.8%	7.8%	7.7%	4.8%	4.9%	5.0%	5.1%
<i>80% - 90%</i>	-	-	7.7%	8.0%	8.3%	8.5%	8.8%	9.1%	4.0%	4.1%	4.2%	4.3%
<i>90% - 99%</i>	-	-	3.6%	3.6%	3.6%	3.5%	3.5%	3.6%	0.7%	0.6%	0.6%	0.6%
<i>Top 1%</i>	-	-	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.1%

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policy takes effect in 2020. Years are calendar year concept. AGI percentiles are calculated exclusive of filers with negative AGI. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

**Projected change in charitable giving by income, 2018-2029: Non-itemizer deduction, modified 1% of AGI floor**

Percent change from baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b> (billions of dollars)	301.4	316.1	329.1	341.9	356.0	368.5	382.6	397.7	435.7	454.4	473.9	488.9
<i>Bottom quintile</i>	10.4	10.8	11.2	11.5	11.9	12.2	12.6	13.0	13.5	14.0	14.4	14.7
<i>Second quintile</i>	16.8	17.6	18.1	18.9	19.5	20.1	20.7	21.3	22.5	23.3	24.2	24.9
<i>Third quintile</i>	29.5	30.9	32.2	33.3	34.4	35.6	36.7	38.0	40.7	42.0	43.7	45.0
<i>Fourth quintile</i>	57.3	59.8	61.9	64.2	66.5	68.5	70.9	73.4	79.5	82.2	85.5	87.7
<i>80% - 90%</i>	43.7	45.6	47.3	48.9	50.3	51.9	53.3	55.1	60.0	62.3	64.3	66.0
<i>90% - 99%</i>	74.7	78.5	81.9	85.4	89.3	92.9	97.1	101.0	112.3	117.7	122.9	127.2
<i>Top 1%</i>	68.9	72.8	76.3	79.7	84.0	87.3	91.4	95.9	107.2	112.9	118.9	123.4
<b>Policy, low elasticity</b>												
<i>Bottom quintile</i>	-	-	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.6%	0.6%	0.6%	0.6%
<i>Second quintile</i>	-	-	2.4%	2.4%	2.4%	2.5%	2.5%	2.5%	2.6%	2.6%	2.7%	2.7%
<i>Third quintile</i>	-	-	3.6%	3.7%	3.7%	3.7%	3.7%	3.8%	2.7%	2.7%	2.7%	2.7%
<i>Fourth quintile</i>	-	-	4.0%	4.0%	4.0%	4.0%	4.0%	3.9%	2.3%	2.3%	2.3%	2.2%
<i>80% - 90%</i>	-	-	4.3%	4.3%	4.3%	4.3%	4.4%	4.4%	1.6%	1.5%	1.6%	1.6%
<i>90% - 99%</i>	-	-	2.0%	2.1%	2.1%	2.1%	2.1%	2.1%	0.3%	0.3%	0.3%	0.3%
<i>Top 1%</i>	-	-	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%
<b>Policy, high elasticity</b>												
<i>Bottom quintile</i>	-	-	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	1.2%	1.2%	1.3%	1.3%
<i>Second quintile</i>	-	-	4.8%	4.8%	4.9%	4.9%	4.9%	5.1%	5.2%	5.2%	5.3%	5.3%
<i>Third quintile</i>	-	-	7.3%	7.3%	7.4%	7.4%	7.5%	7.5%	5.4%	5.5%	5.5%	5.4%
<i>Fourth quintile</i>	-	-	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	4.5%	4.5%	4.5%	4.5%
<i>80% - 90%</i>	-	-	8.5%	8.6%	8.6%	8.6%	8.7%	8.8%	3.1%	3.1%	3.1%	3.1%
<i>90% - 99%</i>	-	-	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	0.7%	0.7%	0.7%	0.7%
<i>Top 1%</i>	-	-	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.1%	0.1%	0.1%	0.1%
<b>Policy, income-based elasticities</b>												
<i>Bottom quintile</i>	-	-	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	2.6%	2.7%	2.8%	2.9%
<i>Second quintile</i>	-	-	10.7%	10.7%	10.9%	11.0%	11.1%	11.4%	11.6%	11.7%	11.9%	11.9%
<i>Fourth quintile</i>	-	-	15.4%	16.0%	16.8%	17.3%	18.0%	18.8%	14.4%	14.8%	15.0%	15.1%
<i>Third quintile</i>	-	-	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	6.8%	6.9%	7.0%	7.2%
<i>80% - 90%</i>	-	-	10.7%	11.0%	11.3%	11.6%	12.0%	12.4%	5.2%	5.2%	5.4%	5.5%
<i>90% - 99%</i>	-	-	4.8%	4.9%	4.9%	4.9%	4.9%	4.9%	0.8%	0.8%	0.8%	0.8%
<i>Top 1%</i>	-	-	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.1%	0.1%	0.1%	0.1%

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policy takes effect in 2020. Years are calendar year concept. AGI percentiles are calculated exclusive of filers with negative AGI. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

**Projected change in charitable giving by income, 2018-2029: Non-refundable credit for non-itemizers, 25% rate**

Percent change from baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b> (billions of dollars)	301.4	316.1	329.1	341.9	356.0	368.5	382.6	397.7	435.7	454.4	473.9	488.9
<i>Bottom quintile</i>	10.4	10.8	11.2	11.5	11.9	12.2	12.6	13.0	13.5	14.0	14.4	14.7
<i>Second quintile</i>	16.8	17.6	18.1	18.9	19.5	20.1	20.7	21.3	22.5	23.3	24.2	24.9
<i>Third quintile</i>	29.5	30.9	32.2	33.3	34.4	35.6	36.7	38.0	40.7	42.0	43.7	45.0
<i>Fourth quintile</i>	57.3	59.8	61.9	64.2	66.5	68.5	70.9	73.4	79.5	82.2	85.5	87.7
<i>80% - 90%</i>	43.7	45.6	47.3	48.9	50.3	51.9	53.3	55.1	60.0	62.3	64.3	66.0
<i>90% - 99%</i>	74.7	78.5	81.9	85.4	89.3	92.9	97.1	101.0	112.3	117.7	122.9	127.2
<i>Top 1%</i>	68.9	72.8	76.3	79.7	84.0	87.3	91.4	95.9	107.2	112.9	118.9	123.4
<b>Policy, low elasticity</b>												
<i>Bottom quintile</i>	-	-	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.7%	0.7%	0.7%	0.8%
<i>Second quintile</i>	-	-	3.9%	3.9%	3.9%	3.9%	4.0%	4.0%	3.8%	3.9%	3.9%	3.9%
<i>Third quintile</i>	-	-	5.9%	5.9%	5.9%	6.0%	6.0%	6.0%	3.9%	3.9%	3.9%	3.9%
<i>Fourth quintile</i>	-	-	6.7%	6.7%	6.7%	6.8%	6.7%	6.8%	3.3%	3.4%	3.3%	3.3%
<i>80% - 90%</i>	-	-	5.4%	5.5%	5.5%	5.5%	5.5%	5.5%	1.7%	1.7%	1.7%	1.7%
<i>90% - 99%</i>	-	-	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	0.4%	0.4%	0.4%	0.4%
<i>Top 1%</i>	-	-	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%
<b>Policy, high elasticity</b>												
<i>Bottom quintile</i>	-	-	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	1.3%	1.4%	1.5%	1.5%
<i>Second quintile</i>	-	-	7.7%	7.8%	7.8%	7.9%	7.9%	8.1%	7.6%	7.8%	7.9%	7.9%
<i>Third quintile</i>	-	-	11.8%	11.8%	11.9%	11.9%	12.0%	12.0%	7.8%	7.8%	7.8%	7.9%
<i>Fourth quintile</i>	-	-	13.4%	13.5%	13.5%	13.5%	13.5%	13.5%	6.7%	6.7%	6.7%	6.7%
<i>80% - 90%</i>	-	-	10.8%	10.9%	10.9%	10.9%	11.0%	11.0%	3.5%	3.4%	3.4%	3.4%
<i>90% - 99%</i>	-	-	4.7%	4.8%	4.8%	4.7%	4.7%	4.7%	0.9%	0.9%	0.9%	0.9%
<i>Top 1%</i>	-	-	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.1%	0.1%	0.1%	0.1%
<b>Policy, income-based elasticities</b>												
<i>Bottom quintile</i>	-	-	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	3.0%	3.1%	3.3%	3.4%
<i>Second quintile</i>	-	-	17.3%	17.4%	17.5%	17.6%	17.7%	18.0%	17.1%	17.4%	17.6%	17.6%
<i>Fourth quintile</i>	-	-	25.0%	25.9%	27.0%	27.9%	29.0%	30.0%	20.6%	21.2%	21.4%	21.7%
<i>Third quintile</i>	-	-	19.9%	20.0%	20.1%	20.1%	20.1%	20.2%	10.0%	10.3%	10.4%	10.6%
<i>80% - 90%</i>	-	-	13.7%	14.1%	14.5%	14.9%	15.3%	15.7%	5.9%	5.9%	6.1%	6.1%
<i>90% - 99%</i>	-	-	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	1.0%	1.0%	1.0%	1.0%
<i>Top 1%</i>	-	-	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.1%	0.1%	0.1%	0.1%

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policy takes effect in 2020. Years are calendar year concept. AGI percentiles are calculated exclusive of filers with negative AGI. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

## Projected change in charitable giving by income, 2018-2029: Enhanced non-itemizer deduction

Percent change from baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b> (billions of dollars)	301.4	316.1	329.1	341.9	356.0	368.5	382.6	397.7	435.7	454.4	473.9	488.9
<i>Bottom quintile</i>	10.4	10.8	11.2	11.5	11.9	12.2	12.6	13.0	13.5	14.0	14.4	14.7
<i>Second quintile</i>	16.8	17.6	18.1	18.9	19.5	20.1	20.7	21.3	22.5	23.3	24.2	24.9
<i>Third quintile</i>	29.5	30.9	32.2	33.3	34.4	35.6	36.7	38.0	40.7	42.0	43.7	45.0
<i>Fourth quintile</i>	57.3	59.8	61.9	64.2	66.5	68.5	70.9	73.4	79.5	82.2	85.5	87.7
<i>80% - 90%</i>	43.7	45.6	47.3	48.9	50.3	51.9	53.3	55.1	60.0	62.3	64.3	66.0
<i>90% - 99%</i>	74.7	78.5	81.9	85.4	89.3	92.9	97.1	101.0	112.3	117.7	122.9	127.2
<i>Top 1%</i>	68.9	72.8	76.3	79.7	84.0	87.3	91.4	95.9	107.2	112.9	118.9	123.4
<b>Policy, low elasticity</b>												
<i>Bottom quintile</i>	-	-	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.7%	0.7%	0.7%	0.8%
<i>Second quintile</i>	-	-	3.2%	3.2%	3.3%	3.3%	3.4%	3.4%	3.6%	3.6%	3.7%	3.7%
<i>Third quintile</i>	-	-	4.5%	4.6%	4.6%	4.7%	4.7%	4.8%	3.5%	3.6%	3.6%	3.6%
<i>Fourth quintile</i>	-	-	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	2.7%	2.7%	2.7%	2.7%
<i>80% - 90%</i>	-	-	4.5%	4.5%	4.6%	4.6%	4.6%	4.6%	1.7%	1.6%	1.7%	1.7%
<i>90% - 99%</i>	-	-	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	0.4%	0.4%	0.4%	0.4%
<i>Top 1%</i>	-	-	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.0%	0.1%	0.1%	0.1%
<b>Policy, high elasticity</b>												
<i>Bottom quintile</i>	-	-	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	1.4%	1.4%	1.5%	1.5%
<i>Second quintile</i>	-	-	6.4%	6.5%	6.6%	6.6%	6.7%	6.9%	7.2%	7.3%	7.4%	7.4%
<i>Third quintile</i>	-	-	9.0%	9.1%	9.2%	9.3%	9.4%	9.5%	7.0%	7.1%	7.1%	7.1%
<i>Fourth quintile</i>	-	-	9.3%	9.3%	9.4%	9.3%	9.3%	9.3%	5.5%	5.5%	5.4%	5.4%
<i>80% - 90%</i>	-	-	9.0%	9.1%	9.1%	9.2%	9.2%	9.3%	3.4%	3.3%	3.4%	3.4%
<i>90% - 99%</i>	-	-	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	0.8%	0.7%	0.7%	0.7%
<i>Top 1%</i>	-	-	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.1%	0.1%	0.1%	0.1%
<b>Policy, income-based elasticities</b>												
<i>Bottom quintile</i>	-	-	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	3.0%	3.2%	3.3%	3.4%
<i>Second quintile</i>	-	-	14.4%	14.5%	14.8%	14.8%	15.0%	15.3%	16.0%	16.3%	16.6%	16.6%
<i>Fourth quintile</i>	-	-	19.1%	19.8%	20.8%	21.7%	22.6%	23.7%	18.5%	19.1%	19.4%	19.6%
<i>Third quintile</i>	-	-	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	8.2%	8.4%	8.6%	8.8%
<i>80% - 90%</i>	-	-	11.3%	11.6%	12.0%	12.3%	12.7%	13.1%	5.5%	5.6%	5.8%	5.9%
<i>90% - 99%</i>	-	-	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	0.9%	0.9%	0.9%	0.8%
<i>Top 1%</i>	-	-	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.1%	0.1%	0.1%	0.1%

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policy takes effect in 2020. Years are calendar year concept. AGI percentiles are calculated exclusive of filers with negative AGI. Tax price elasticities used: "low" = -0.5; "high" -1.0; "income-based" = -2.236 for tax units under \$50K in 2017 AGI, -1.49 under \$100K, and -1.182 over \$100K.

**Projected change in number of donors by income under various tax reform proposals, 2018-2029**

Millions of tax units

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b>	85.5	86.7	87.4	88.6	89.7	90.5	91.6	92.6	97.2	98.1	99.2	100.0
<i>Bottom quintile</i>	9.9	10.1	10.2	10.3	10.4	10.5	10.7	10.8	11.3	11.4	11.5	11.6
<i>Second quintile</i>	12.4	12.6	12.7	12.9	13.0	13.1	13.3	13.4	14.1	14.2	14.4	14.5
<i>Third quintile</i>	15.7	15.9	16.1	16.2	16.5	16.6	16.8	17.0	17.9	18.0	18.3	18.4
<i>Fourth quintile</i>	20.8	21.1	21.2	21.5	21.8	22.0	22.3	22.5	23.6	23.8	24.1	24.3
<i>80% - 90%</i>	12.7	12.8	12.9	13.1	13.2	13.4	13.5	13.7	14.3	14.5	14.6	14.7
<i>90% - 99%</i>	12.6	12.8	12.9	13.0	13.2	13.3	13.5	13.6	14.3	14.5	14.6	14.7
<i>Top 1%</i>	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.7	1.7
<b>Non-itemizer deduction</b>	-	-	7.2	7.3	7.4	7.5	7.7	7.8	5.3	5.4	5.5	5.6
<i>Bottom quintile</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
<i>Second quintile</i>	-	-	0.7	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.0
<i>Third quintile</i>	-	-	1.4	1.4	1.4	1.4	1.5	1.5	1.4	1.4	1.5	1.5
<i>Fourth quintile</i>	-	-	2.0	2.1	2.1	2.1	2.1	2.2	1.6	1.6	1.6	1.6
<i>80% - 90%</i>	-	-	1.6	1.6	1.7	1.7	1.7	1.7	0.8	0.8	0.8	0.8
<i>90% - 99%</i>	-	-	1.3	1.3	1.3	1.3	1.3	1.4	0.3	0.3	0.4	0.4
<i>Top 1%</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Non-itemizer deduction, \$4,000/\$8,000 cap</b>	-	-	6.9	7.0	7.1	7.2	7.4	7.5	5.2	5.3	5.4	5.4
<i>Bottom quintile</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
<i>Second quintile</i>	-	-	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.9	1.0	1.0
<i>Third quintile</i>	-	-	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
<i>Fourth quintile</i>	-	-	1.9	2.0	2.0	2.0	2.0	2.1	1.5	1.5	1.6	1.6
<i>80% - 90%</i>	-	-	1.6	1.6	1.6	1.6	1.7	1.7	0.8	0.8	0.8	0.8
<i>90% - 99%</i>	-	-	1.2	1.2	1.3	1.3	1.3	1.3	0.3	0.3	0.3	0.3
<i>Top 1%</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Non-itemizer deduction, modified 1% AGI floor</b>	-	-	4.5	4.6	4.7	4.7	4.8	4.9	3.4	3.4	3.5	3.5
<i>Bottom quintile</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
<i>Second quintile</i>	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7
<i>Third quintile</i>	-	-	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	0.9	0.9
<i>Fourth quintile</i>	-	-	1.3	1.3	1.3	1.4	1.4	1.4	1.0	1.0	1.0	1.0
<i>80% - 90%</i>	-	-	1.0	1.0	1.0	1.0	1.0	1.1	0.5	0.5	0.5	0.5
<i>90% - 99%</i>	-	-	0.7	0.8	0.8	0.8	0.8	0.8	0.2	0.2	0.2	0.2
<i>Top 1%</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Non-refundable credit for non-itemizers, 25% rate</b>	-	-	10.5	10.6	10.8	10.9	11.1	11.3	7.5	7.6	7.7	7.7
<i>Bottom quintile</i>	-	-	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5
<i>Second quintile</i>	-	-	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7
<i>Third quintile</i>	-	-	2.3	2.4	2.4	2.5	2.5	2.5	2.0	2.1	2.1	2.1
<i>Fourth quintile</i>	-	-	3.2	3.3	3.3	3.3	3.4	3.4	2.1	2.1	2.2	2.2
<i>80% - 90%</i>	-	-	1.8	1.9	1.9	1.9	1.9	2.0	0.8	0.8	0.8	0.8
<i>90% - 99%</i>	-	-	1.3	1.3	1.3	1.3	1.4	1.4	0.3	0.4	0.4	0.4
<i>Top 1%</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Enhanced non-itemizer deduction</b>	-	-	8.3	8.4	8.6	8.7	8.9	9.1	6.7	6.8	6.9	7.0
<i>Bottom quintile</i>	-	-	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.4
<i>Second quintile</i>	-	-	1.1	1.2	1.2	1.2	1.2	1.3	1.5	1.5	1.6	1.6
<i>Third quintile</i>	-	-	1.7	1.8	1.8	1.8	1.9	1.9	1.8	1.8	1.9	1.9
<i>Fourth quintile</i>	-	-	2.3	2.3	2.3	2.4	2.4	2.4	1.8	1.8	1.8	1.9
<i>80% - 90%</i>	-	-	1.6	1.6	1.7	1.7	1.7	1.7	0.8	0.8	0.8	0.8
<i>90% - 99%</i>	-	-	1.3	1.3	1.3	1.3	1.3	1.4	0.3	0.3	0.4	0.4
<i>Top 1%</i>	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
<b>Addendum: Pre-TCJA baseline</b>	87.9	89.1	89.9	91.0	92.2	93.3	94.5	95.7	97.2	98.1	99.2	100.0

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policies take effect in 2020. Years are calendar year concept. AGI percentiles are calculated exclusive of filers with negative AGI. We use a -0.8 price elasticity, where price is an average of the first-dollar tax price (e.g. going from \$0 of donations to \$1) and next-dollar tax price (e.g. adding an additional dollar of donations to each tax return).

**Projected change in number of donors by income under various tax reform proposals, 2018-2029**

Percent change from baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b> (millions of tax units)	85.5	86.7	87.4	88.6	89.7	90.5	91.6	92.6	92.2	98.1	99.2	100.0
<i>Bottom quintile</i>	9.9	10.1	10.2	10.3	10.4	10.5	10.7	10.8	11.3	11.4	11.5	11.6
<i>Second quintile</i>	12.4	12.6	12.7	12.9	13.0	13.1	13.3	13.4	14.1	14.2	14.4	14.5
<i>Third quintile</i>	15.7	15.9	16.1	16.2	16.5	16.6	16.8	17.0	17.9	18.0	18.3	18.4
<i>Fourth quintile</i>	20.8	21.1	21.2	21.5	21.8	22.0	22.3	22.5	23.6	23.8	24.1	24.3
<i>80% - 90%</i>	12.7	12.8	12.9	13.1	13.2	13.3	13.5	13.7	14.3	14.5	14.6	14.7
<i>90% - 99%</i>	12.6	12.8	12.9	13.0	13.2	13.3	13.5	13.6	14.3	14.5	14.6	14.7
<i>Top 1%</i>	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.7	1.7
<b>Non-itemizer deduction</b>	-	-	8.2%	8.2%	8.3%	8.3%	8.4%	8.4%	5.5%	5.5%	5.6%	5.6%
<i>Bottom quintile</i>	-	-	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.9%	2.0%	2.0%
<i>Second quintile</i>	-	-	5.6%	5.6%	5.7%	5.8%	5.8%	6.0%	6.7%	6.8%	6.9%	6.9%
<i>Third quintile</i>	-	-	8.5%	8.5%	8.6%	8.7%	8.7%	8.8%	7.9%	8.0%	8.0%	8.0%
<i>Fourth quintile</i>	-	-	9.5%	9.5%	9.5%	9.6%	9.6%	9.6%	6.7%	6.7%	6.7%	6.7%
<i>80% - 90%</i>	-	-	12.4%	12.5%	12.5%	12.6%	12.6%	12.7%	5.7%	5.7%	5.7%	5.7%
<i>90% - 99%</i>	-	-	9.8%	9.8%	9.9%	9.9%	9.9%	10.0%	2.4%	2.4%	2.4%	2.4%
<i>Top 1%</i>	-	-	9.0%	9.0%	9.0%	9.0%	9.0%	8.9%	1.7%	1.7%	1.7%	1.7%
<b>Non-itemizer deduction, \$4,000/\$8,000 cap</b>	-	-	7.9%	7.9%	8.0%	8.0%	8.0%	8.1%	5.3%	5.4%	5.4%	5.4%
<i>Bottom quintile</i>	-	-	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.9%	2.0%	2.0%
<i>Second quintile</i>	-	-	5.4%	5.5%	5.6%	5.6%	5.7%	5.9%	6.6%	6.6%	6.7%	6.7%
<i>Third quintile</i>	-	-	8.2%	8.2%	8.3%	8.3%	8.4%	8.5%	7.7%	7.8%	7.8%	7.8%
<i>Fourth quintile</i>	-	-	9.1%	9.1%	9.1%	9.1%	9.1%	9.2%	6.4%	6.4%	6.5%	6.5%
<i>80% - 90%</i>	-	-	12.0%	12.1%	12.1%	12.1%	12.2%	12.2%	5.6%	5.5%	5.5%	5.6%
<i>90% - 99%</i>	-	-	9.4%	9.4%	9.5%	9.5%	9.5%	9.6%	2.3%	2.4%	2.3%	2.3%
<i>Top 1%</i>	-	-	8.5%	8.6%	8.5%	8.5%	8.5%	8.4%	1.6%	1.6%	1.6%	1.6%
<b>Non-itemizer deduction, modified 1% AGI floor</b>	-	-	5.2%	5.2%	5.2%	5.2%	5.2%	5.3%	3.5%	3.5%	3.5%	3.5%
<i>Bottom quintile</i>	-	-	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	1.3%	1.4%	1.4%	1.4%
<i>Second quintile</i>	-	-	3.8%	3.8%	3.8%	3.9%	3.9%	4.0%	4.5%	4.5%	4.6%	4.6%
<i>Third quintile</i>	-	-	5.5%	5.6%	5.6%	5.6%	5.6%	5.7%	5.1%	5.1%	5.1%	5.1%
<i>Fourth quintile</i>	-	-	6.1%	6.1%	6.1%	6.1%	6.1%	6.2%	4.2%	4.2%	4.2%	4.2%
<i>80% - 90%</i>	-	-	7.6%	7.7%	7.7%	7.7%	7.7%	7.8%	3.4%	3.4%	3.4%	3.4%
<i>90% - 99%</i>	-	-	5.7%	5.8%	5.8%	5.8%	5.8%	5.9%	1.4%	1.4%	1.4%	1.4%
<i>Top 1%</i>	-	-	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	0.9%	0.9%	0.9%	0.9%
<b>Non-refundable credit for non-itemizers, 25% rate</b>	-	-	12.0%	12.0%	12.0%	12.1%	12.1%	12.2%	7.7%	7.7%	7.7%	7.8%
<i>Bottom quintile</i>	-	-	1.9%	1.9%	1.9%	2.0%	2.0%	2.2%	4.2%	4.4%	4.4%	4.5%
<i>Second quintile</i>	-	-	11.8%	11.9%	12.0%	12.1%	12.2%	12.4%	11.8%	11.8%	11.9%	11.9%
<i>Third quintile</i>	-	-	14.6%	14.6%	14.7%	14.7%	14.8%	14.8%	11.4%	11.4%	11.4%	11.4%
<i>Fourth quintile</i>	-	-	15.1%	15.1%	15.2%	15.2%	15.2%	15.2%	9.0%	9.0%	9.0%	9.0%
<i>80% - 90%</i>	-	-	14.1%	14.2%	14.2%	14.3%	14.3%	14.4%	5.7%	5.6%	5.7%	5.7%
<i>90% - 99%</i>	-	-	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	2.4%	2.4%	2.4%	2.4%
<i>Top 1%</i>	-	-	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	1.5%	1.5%	1.5%	1.5%
<b>Enhanced non-itemizer deduction</b>	-	-	9.5%	9.5%	9.6%	9.6%	9.7%	9.8%	6.9%	6.9%	7.0%	7.0%
<i>Bottom quintile</i>	-	-	1.6%	1.6%	1.6%	1.6%	1.7%	1.8%	3.5%	3.6%	3.7%	3.7%
<i>Second quintile</i>	-	-	8.9%	9.0%	9.1%	9.2%	9.4%	9.7%	10.8%	10.9%	11.0%	11.0%
<i>Third quintile</i>	-	-	10.9%	10.9%	11.0%	11.1%	11.2%	11.3%	10.2%	10.2%	10.3%	10.3%
<i>Fourth quintile</i>	-	-	10.6%	10.6%	10.7%	10.7%	10.7%	10.8%	7.6%	7.6%	7.6%	7.6%
<i>80% - 90%</i>	-	-	12.4%	12.5%	12.5%	12.6%	12.6%	12.7%	5.7%	5.7%	5.7%	5.7%
<i>90% - 99%</i>	-	-	9.8%	9.8%	9.9%	9.9%	9.9%	10.0%	2.4%	2.4%	2.4%	2.4%
<i>Top 1%</i>	-	-	9.0%	9.0%	9.0%	9.0%	9.0%	8.9%	1.7%	1.7%	1.7%	1.7%
<b>Addendum: Pre-TCJA baseline</b>	87.9	89.1	89.9	91.0	92.2	93.3	94.5	95.7	97.2	98.1	99.2	100.0

Source: Penn Wharton Budget Model. Projections made using the Wharton Integrated Tax Simulator.

Notes: Policies take effect in 2020. Years are calendar year concept. AGI percentiles are calculated exclusive of filers with negative AGI. We use a -0.8 price elasticity, where price is an average of the first-dollar tax price (e.g. going from \$0 of donations to \$1) and next-dollar tax price (e.g. adding an additional dollar of donations to each tax