

CHARITABLE GIVING MATTERS IN KENTUCKY

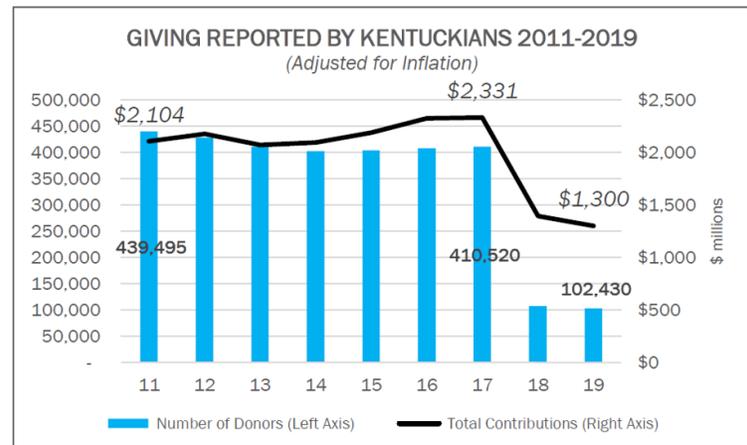
Charitable donations are essential sources of revenue for a large number of nonprofits – some relying on donations for most or all of their revenue, while charitable donations allow other nonprofits flexibility in their general operations to meet unexpected challenges, like a pandemic. Donations are investments in food security, stable housing, job training, childcare, elder care, mental health services, substance use treatment, health care, education, and more for Kentuckians. Donations are also investments in the arts, cultural, and environmental organizations that make our old Kentucky home unique – a place where people want to work, live, and raise a family. Charitable donations serve as an important driver and measurement of community engagement. Data shows that people who donate to charity are more likely to volunteer and engage in advocacy around community issues.

INCENTIVIZING CHARITABLE GIVING IS GOOD FOR KENTUCKY

- Kentucky is a state of modest wealth, and the pool of folks with considerable wealth is small. But within that pool, 84% who itemize their deductions also claim a charitable giving tax deduction. There is an active and generous culture of giving.
- Kentucky households with lower adjusted gross incomes (AGI) donate a larger percentage of their income to charity than their higher AGI neighbors.
- Encouraging and incentivizing growth in charitable giving benefit Kentuckians and communities.

2019 KY TAX & GIVING DATA:

- 1.97 million Kentuckians filed tax returns in 2019
- \$115.9 billion Total Adjusted Gross Income (AGI) - up from \$113 billion in 2017
 - \$58,910 average AGI - 5th lowest in nation
- 6% of filers itemized their tax deductions - 5th lowest in nation
- 84% of itemizers claimed the charitable giving deduction - 13th highest in nation
- This is 5.2% of all KY tax filers - 9th lowest in nation
- \$1.3 billion total charitable giving by itemizers - down 44% (down from \$2.3B) in 2017
- 102,430 reporting donors - down 75% (down from 410,520) in 2017
- \$12,692 average charitable gift, 21.5% of KY's average AGI - up from \$5,678 in 2017



KENTUCKY NONPROFITS HIT HARD BY THE TAX CUTS AND JOBS ACT

- As a result of doubling the standard deduction via the Tax Cuts and Jobs Act of 2017, the number of Kentuckians itemizing their tax deductions decreased from 513,000 Kentuckians in 2017 to only 122,140 in 2019 - a 76% decrease in the number of Kentuckians itemizing their deductions. This might have been good for simplification of tax filing, but it was not so good for incentivizing charitable giving/investments in nonprofits and communities.
 - As a result of this change, Kentucky had the third greatest decline in charitable giving in the nation – behind Wisconsin & Iowa. Contributions in Kentucky dropped by 44% – the second largest drop in the nation, behind only West Virginia.
- While some data show the total dollar amount of charitable giving has increased over time, the number of donors has consistently decreased.
 - The new Individual Income Tax Returns, Preliminary Data, Tax Year 2020, Statistics of Income Bulletin from the IRS highlights that itemized deductions were claimed on only 9.3% of all returns for 2020. Compared to 2019, the charitable contributions deduction increased 3.0% to \$201.6 billion, but the number of filers claiming the deduction fell by 12.1%, meaning the trend of fewer people donating more to charity appears to be continuing.
 - The average annual gift to charity has increased, but this is skewed by “megagifts” made by itemizers to hospitals, colleges/universities, etc. The majority of charitable nonprofits are smaller, with annual budgets of less than \$500,000 – they rely on the generosity of \$25, \$50, \$100, \$500 donors.
 - Data from two of Kentucky's online giving events, Kentucky Gives Day and Give for Good Louisville, mirror state and national giving trends of a decreased number of donors.

THE UNIVERSAL CHARITABLE (NON-ITEMIZER) DEDUCTION WORKS

- The IRS report states, “This new deduction, a nonitemized, charitable contribution, was taken on 42.2 million (29.4%) of individual returns that opted to take the standard deduction for a total of \$10.9 billion.” Nearly a quarter (24%) of those taking this non-itemizer deduction had adjusted gross income of less than \$30,000. The largest segment of taxpayers to take advantage of the universal charitable deduction were those earning between \$50,000 and \$100,000, that is, 29% donating a total of \$3.2 billion.
 - More than 40 million households claimed the universal charitable deduction in 2020, generating charitable giving of more than \$10 billion while the pandemic raged.
- The extra federal tax incentives for less wealthy households during pandemic relief worked – small donations of up to \$250 increased more than 15%, outpacing growth of larger donations. And donations totaling \$300 (the exact amount of the federal above-the-line deduction allowed for 2020) shot up by 28%.