January 25, 2021

Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue N.W.
Washington, D.C. 20220

Dear Secretary Yellen and Commissioner Rettig:

Our nation’s nonprofit charities, serving those in our community with the greatest needs, are struggling, now more than ever. Congress recognized this and, as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act (P.L. 116–136), included multiple tax adjustments designed to help them. Chief among the changes is a new $300 charitable deduction available to tax filers who take the standard deduction when filing their taxes for 2020, as opposed to itemizing their deductions. Even so, there are widespread news reports\(^1\) that charities are still having difficulties contending with the ongoing COVID-19 pandemic, as the ensuing economic recession has simultaneously suppressed charitable giving while raising the community’s need for these organizations.

To address these challenges, thirty-three states offer tax credits that encourage charitable giving to certain causes. More than one hundred of these state charitable tax credits exist, providing support to services such as foster care in Arizona, constructing playgrounds in Louisiana, or developing affordable housing in Illinois.\(^2\) Regrettably, the Internal Revenue Service’s rule entitled “Contributions in Exchange for State or Local Tax Credits” (RIN: 1545-BO89), published in the Federal Register as a final regulation on June 13, 2019,\(^3\) places an unnecessary burden on states’ ability to offer tax credits for residents who donate to these charities. If Congress had intended to eliminate tax benefits for donors to these long-standing programs, language to do as much would have been included in P.L.115-97, the tax law enacted in December 2017. For this reason, I urge you to act swiftly to roll back this disastrous rule.

It is imperative that we work together to get our tax policy right and cut taxes for hard-working Americans as we continue to fight this pandemic. Given the level of need in this country, we should be trying to encourage charitable giving as much as possible to help those that need additional help. I look forward to your responses on this important matter.

Sincerely,

Josh Gottheimer
MEMBER OF CONGRESS

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\(^1\) https://www.wsj.com/articles/while-covid-19-donations-soar-other-charities-see-a-big-hit-to-funds-11596913200


\(^3\) 84 Fed. Reg. 27513