Dear Secretary Yellen and Commissioner Rettig:

As Americans struggle with rising costs and sustained economic turmoil caused by the COVID-19 pandemic, we encourage you to take immediate action to support nonprofit charities. Charities depend on donations to sustain their activities that often benefit the most vulnerable members of our communities. The 2017 Tax Hike Bill (P.L. 115-97) inadvertently reduced the incentive to make charitable donations by capping the State and Local Tax (SALT) deduction and by reducing the number of taxpayers that itemize their tax filings. In the wake of the unfair SALT cap, many states sought to provide relief to their taxpayers by allowing them to make charitable donations to alleviate the new tax burden placed on them by Washington. In response to these state initiatives, the IRS issued a rule, the “Contributions in Exchange for State or Local Tax Credits” (RIN: 1545-BO89), which had the perverse effect of further limiting the incentive to make charitable donations.

We ask you to support state-led efforts to increase charitable giving by repealing the Internal Revenue Service’s rule, published in the Federal Register as a final regulation on June 13, 2019.1 Thirty-three states offer tax credits that encourage charitable giving to certain causes, and this rule unnecessarily restricts the ability of states to incentivize charitable donations to nonprofits. More than one hundred state charitable tax credits exist, supporting services such as foster care in Arizona, the construction of playgrounds in Louisiana, and the development of affordable housing in Illinois. 2 If Congress had intended to eliminate tax benefits for donors to these longstanding programs, language to do so would have been included in P.L.115-97. For this reason, we urge you to act swiftly to roll back this disastrous rule.

Congress and the Administration must work together to improve our tax code and cut taxes for hard-working Americans. As we recover from the pandemic, we should encourage charitable giving as much as possible to help those in need. Thank you for considering our request. We

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1 84 Fed. Reg. 27513

look forward to your responses on this important matter.

Sincerely,

Josh Gottheimer
MEMBER OF CONGRESS

Tom Suozzi
MEMBER OF CONGRESS

Mikie Sherrill
MEMBER OF CONGRESS