

# ENCOURAGING CHARITABLE GIFTS TO ARTS AND CULTURE

## SUPPORT AMERICA'S NONPROFIT ARTS ORGANIZATIONS

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### ACTIONS NEEDED

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We urge Members of Congress to:

- Cosponsor H.R. 1250 introduced by Reps. Earl Pomeroy (D-SD) and Wally Herger (R-CA) to make permanent the IRA Charitable Rollover provision, allowing individuals to roll funds from their Individual Retirement Accounts to charity at a lower qualifying age requirement and with the removal of the \$100,000 cap.
- Cosponsor the market value deduction bills, which would allow artists, writers, and composers to take a fair-market value deduction for contributions of their own works to arts organizations (see Tax Fairness for Artists and Writers Issue Brief).

### TALKING POINTS

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#### The Nonprofit Arts Sector:

Nonprofit arts organizations improve the quality of life by contributing to lifelong learning, preserving our cultural heritage, and fostering the creative expression that tells the story of our personal and collective histories.

- In communities large and small across the country, nonprofit arts organizations engage the public in a diverse array of cultural and artistic experiences. Arts organizations offer communities a significant number of free events and provide public access to the arts through online resources and distance learning opportunities.
- Ticket sales and admission fees alone do not come close to subsidizing the artistic presentations, educational offerings, and community-based programming of nonprofit arts organizations. A significant percentage of direct financial support for nonprofit arts organizations is derived from charitable giving. Without this support, public access to the arts would be greatly diminished.
- Diverse types of charitable giving comprise support for arts organizations large and small: individual contributions; planned giving; family, business, and corporate foundation grants; in-kind contributions; and gifts of art.
- Nationally, the nonprofit arts and culture industry generates \$166.2 billion in economic activity every year—\$63.1 billion in spending by organizations and an additional \$103.1 billion in related spending by their audiences.
- The fundamental characteristics of federal support for the nonprofit community, which have built an unrivalled cultural sector that is the envy of the world, need not only to remain in place but should be strengthened for the future. The nonprofit arts community can continue delivering the vital programs and services that the country has relied on by reinforcing that mission-related income be exempt from federal tax like any endowment income; ensuring that real property is exempt from property tax; and making sure that charitable contributions remain fully tax-deductible.

#### IRA Rollover:

- The IRA Charitable Rollover provision permits donors age 70.5 and older to make tax-free charitable gifts directly from their IRAs to charities, up to an annual ceiling of \$100,000. The IRA Rollover was enacted as part of the Pension Protection Act of 2006 and expired on December 31, 2007. Before the 110<sup>th</sup> Congress adjourned, the provision was extended to December 31, 2009, as part of a package of other popular tax bills.
- The recent extension of the IRA Rollover has already shown an immediate positive impact in the nonprofit arts community, underscoring the provision as a key incentive for charitable giving.
- The IRA Rollover increases gifts to charity, by providing a new incentive for charitable giving. Beginning at age 70.5, all IRA owners are required to take annual minimum distributions, even if they do not need the income. With the charitable rollover, IRA owners may use the required distribution and other money in their IRAs to support charitable causes, without being taxed on the distribution. No additional tax deduction is taken for an IRA Rollover gift to charity.
- Since its enactment in 2006, the IRA Rollover has spurred millions of dollars in new gifts to all forms of charities.

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- Legislation (HR 1250) has been introduced that would make the IRA Rollover permanent, remove the arbitrary \$100,000 cap, and reduce the qualifying age to 59.5. Rep. Earl Pomeroy (D-SD) and Wally Herger (R-CA) also co-sponsored the bill last year in the House of Representatives along with Sens. Byron Dorgan (D-ND) and Olympia Snowe (R-ME) in the Senate, and is supported by a broad coalition of organizations, including the arts, higher education, human services, health, and other nonprofits.

**Tax Fairness for Artists and Writers:** Please see our separate Issue Brief on this topic.

## **BACKGROUND**

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The United States supports a robust private charitable sector that provides many public services in fields ranging from education and healthcare to arts and culture. Nonprofit organizations provide access to arts and culture in every U.S. congressional district, and receive crucial—but indirect—government support through tax benefits that encourage charitable gifts by generous individuals.

A charitable contribution is an act of private giving for the public good. The tax deduction for charitable gifts enhances the public good by encouraging contributions to arts programs, museums, libraries, or other nonprofit efforts that serve the public. Private donations range from very small gifts to large donations and are contributed by corporations, foundations, and individuals in support of a myriad of arts programs. It is this process of private giving for the public good that sustains the arts and helps the arts to reach more and more Americans.

Charitable giving keeps access to the arts and humanities affordable for all segments of society, subsidizing thousands of programs and other activities that serve our citizens. The above measures will result in more services to the public as increased charitable giving, including gifts of art as well as cash, strengthen nonprofit arts organizations. They will encourage Americans to be as generous as possible rather than being limited by arbitrary caps and other restrictions.

The current economic climate presents challenges to the charitable sector. Donors need to be encouraged to maintain their commitment to the vital services and programs the nonprofit community provides, especially as local governments and municipalities struggle to maintain the current level of services to their communities.

## **OTHER TAX ISSUES**

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Tax policy has multiple impacts on the arts and humanities at the local, state, and federal levels. Below is a description of an arts-specific issue that is also worthy of congressional attention.

**Qualified Performing Artist tax benefit:** Performing artists who satisfy three tests are allowed to deduct their expenses “above the line” on their tax returns, which is more advantageous than treating such expenses as itemized deductions. This tax benefit was originally enacted in 1986 and reflected the fact that many performing artists were poorly paid and that, absent some kind of help, they were unable to maintain themselves as working artists. It further recognized that artists faced significant expenses connected with gaining employment. One of the three tests mentioned above limits their allowable adjusted gross income to no greater than \$16,000. This cap has been static since it was first enacted.

Senator Schumer (D-NY) is working on a bill that would bring the tax code into the 21<sup>st</sup> century by raising the income cap to \$30,000 and indexing it to inflation. Performing artists should not have to live in abject poverty to qualify for this benefit. If this legislation is not enacted, artists will fall even further behind in their struggle to earn a living by their art, and the public will suffer their loss.

**We urge Congress to support efforts to fix the out-of-date Qualified Performing Artist benefit.**