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to the Senate Budget & Appropriations Committee

S-2179 (Kean/Singleton) – Charitable contributions deduction

The Center for Non-Profits, New Jersey’s statewide umbrella organization for the charitable community, strongly support S-2179, which would allow taxpayers to take a state income tax deduction for contributions to qualified New Jersey charities. Below are just some of the many reasons this urgently needed bill is deserving of support.

Demand for the vital programs and services provided by charities continues to rise, while needed resources lag behind.
New Jersey charitable non-profits employ nearly 10% of the state’s private workforce (324,000 people); collectively spend over $42 billion annually, much of it in the Garden State; and marshal the energies and talents of more than 1.5 million volunteers. The programs, services, and economic benefits provided by non-profits are critical factors in making New Jersey an attractive place to live and work.

Yet for many years, New Jersey charities have been grappling with the mounting pressures of skyrocketing demand for services while resources have failed to keep pace. According to the Center for Non-Profits’ recently released 2019 annual non-profit survey report:

- 66% of organizations reported that demand for services had grown during the past year, and 59% said that their expenses had increased during the same period — but only 38% reported receiving more total funding.
- 76% predicted that demand would continue to rise in 2019 and 68% expected their total expenses to increase, and but only 49% expected total 2019 funding to increase.

This bill would help to lessen the negative impact of the federal tax law on New Jersey residents and the charities they rely on.
The federal charitable giving deduction is only available to taxpayers who itemize on their tax returns. Because of the doubling of the standard deduction under the federal tax law, the federal charitable giving deduction is only an option for approximately 10% of filers — down from approximately 30% of taxpayers before the law was passed. Additionally, for many New Jerseyans the SALT cap and other tax law changes have threatened to reduce the discretionary dollars available for charitable gifts.

Charities are already seeing the negative effects of the federal tax law. Preliminary reports from the Fundraising Effectiveness Project indicate that while giving by major donors ($1,000 or more per year) rose in 2018, the total number of donors actually declined, as did giving by donors who gave less than $1,000. Meanwhile, the Blackbaud Institute for Philanthropic Impact reported that giving to charities that raise less than $1 million annually — which comprise the vast majority of charitable non-profits — was also down in 2018.

In terms of how that might translate in New Jersey, consider the following IRS data from 2016, the most recent year available:
- More than 35% of individual tax returns in NJ – 1.5 million households – claimed a charitable deduction in 2016.
- $1.5 billion – nearly one-quarter of all claimed charitable gifts by New Jersey taxpayers – came from households with incomes of less than $100,000.
- Households earning under $200,000 accounted for four-fifths of all claimed gifts, or $3.2 billion.

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Giving in New Jersey is still below pre-recession levels. After the recession hit, charitable contributions in New Jersey, as measured by itemized deductions claimed on IRS tax returns, plunged dramatically. According to IRS data, disregarding inflation, it took 8 years – to 2015 – before giving returned to 2007 pre-recession amounts. Taking inflation into account, the amount claimed by New Jersey households for charitable contributions in 2016 was still below 2007 (pre-recession) levels.

S-2179 would help all New Jerseyans, especially low- and moderate-income taxpayers. Unlike the federal deduction, which is limited to itemizers, all New Jersey taxpayers could take advantage of the incentives under S-2179. This bill would not only provide a much-needed boost for charities to fill growing demands for services, but lower and middle-income taxpayers, who already give generously to charity, would be able to gain tax relief as a result of that generosity. IRS data show that lower-income taxpayers donate a larger percentage of their incomes to charity than higher-income taxpayers do. S-2179 effectively allows people to donate to charity at a lower cost, and will bring desperately needed resources to non-profits who are shouldering an ever-increasing burden of community services.

New Jersey is among the minority of states that do not have a state-level charitable giving incentive. According to the National Council of Nonprofits, of the 43 states with an income tax, at least 25, including New York and Delaware, provide some level of tax deduction for charitable gifts, and many others provide a tax credit on state income taxes for charitable contributions. But except for a narrowly tailored allowance for conservation easements, New Jersey provides no such incentive, placing it among the minority of states that don’t formally recognize the value of charitable giving. S-2179 would rectify this situation and position New Jersey more competitively with its neighbors.

S-2179 is timely legislation that would bring much-needed relief for all New Jersey taxpayers, and would help to spur giving to charities whose programs and services are in demand more than ever. We thank Senators Kean, Singleton and Oroho for sponsoring this important bill, and we ask you to give it your full support.

Thank you for your consideration.