Unpacking the New Tax Law: What Happened and What’s Next

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Encouraging Charitable Giving

We urge Congress to:

• Reinstate and expand incentives for charitable giving by enacting a universal charitable deduction available to all taxpayers.

• Take action to repeal the new tax on nonprofit expenses, strengthen the capacity of the arts sector to support communities, and protect nonprofit nonpartisanship.
Supporting Tax Fairness for Artists and Writers

We urge Congress to:

• Enact the Artist-Museum Partnership Act, which would allow artists to deduct the fair market value of their work when they donate it to charitable collecting institutions.

• Update the Qualified Performing Artist Tax Deduction and reinstate deductions for unreimbursed employee business expenses.

• Maintain artist eligibility in the Low-Income Housing Tax Credit program, the income tax exemption for private activity bonds, and the Historic Tax Credit.
Enact the Artist-Museum Partnership Act
Would allow artists to deduct the fair market value of their work when they donate it to charitable collecting institutions.

- Tax Fairness for Artists and Writers
- Public Access to Art
SIEGEL: But to clarify this - if I, as the artist in my hypothetical wood carving - if I sold that to a collector for $100,000 and the collector then donated it to the museum...

Sen. LEAHY: Oh, the collector - he could deduct $100,000, I mean, that's the irony of the whole thing. If you made a piece of art that cost you $20 in material, you donate it to museum. You get the $20. You sold it for $100,000 to somebody, they in turn or their estate gives it to the museum, they deduct the $100,000. It just doesn't seem to make a great deal of sense.
Problem

• Museums, libraries and archives receive new works primarily through donations

• Unlike collectors, artists can only claim a tax deduction for the value of the materials, not the value of the art

• Virtually no incentive at all to donate

Solution

• Legislation to permit a Fair Market Value deduction for work donated by its creator
Deductions for unreimbursed employee business expenses eliminated.

Qualified performing artist tax deduction maintained but in need of updating.

- Contractors can deducted expenses for instruments, supplies, and other essential costs of working, but employees can’t.
  - Work for two or more employers
  - Expenses more than 10% of performing arts income
  - Income cap of $16,000
Preserve the Historic Tax Credit,
which has saved over 42,000 buildings that form the historic fabric of our nation.
• **For over three decades**, the Historic Tax Credit has been a widely used **redevelopment tool** for cities, towns, and rural communities across the country.

• It has a proven track record of **stimulating economic growth** and **creating jobs** through public-private leveraging opportunities.
Maintain Tax-Exempt Private Activity Bonds, often employed to finance cultural infrastructure projects that benefit the public.

- Financing at lower borrowing costs, enables construction of projects like museums and concert halls.
Maintain artist eligibility in the Low-Income Housing Tax Credit program
Developers in Baltimore, Minneapolis, Harlem, Houston, Pittsburgh, and scores of other places have used federal tax credits to build affordable lofts and studios exclusively for artists whose income falls below median levels. Such efforts have been lauded as a critical way to help preserve and support a city’s cultural community, especially in cities like New York that are experiencing an affordability crisis. Cities often use artists’ housing as a development tool, to rejuvenate abandoned or vacant industrial properties.
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UBIT PARKING AND COMMUTING TAX

$12,000:
Annual amount diverted from each nonprofit’s mission to pay for new tax on transportation fringe benefits.
UBIT – PARKING AND COMMUTING TAX

“Our donors trust us with their precious gifts to use our funds to serve the citizenry. Imposing a harsh and punitive new tax is both unfair and unsustainable.”

“Any new cost that results from this policy impacts our orchestra’s capacity to use nonprofit resources in service to our community including providing free instrumental music instruction.”
Preserve the Johnson Amendment, and protect 501(c)(3)s from partisanship.

- The Johnson Amendment prevents nonprofits from being pressured into partisan activity.
- The broad charitable, religious, and philanthropic communities have come out in strong opposition to repeal of the Johnson Amendment.
What’s Next?

▪ Small-ish technical corrections bills.

▪ Educating lawmakers before next big tax package.

▪ Measure impact of ongoing and changed tax policies.

▪ Partner with others.

▪ Tell YOUR story!
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