National Association of Congregational Christian Churches

Implications of the New Tax Bill On Charitable Giving to Religious Institutions

April 2018

WHAT HAS CHANGED

- Doubling the standard deduction, from $6,000 to $12,000 for individual taxpayers, and from $12,000 to $24,000 for couples. With the higher standard deduction, it is likely that fewer taxpayers will itemize (including charitable contributions).
- Cash contributions to public charities and certain private foundations are now deductible up to 60% of the donor's contribution base.
- The estate and gift tax exemption will be expanded to $11 million for individuals and $22 million for couples for estates of decedents dying and gifts made after December 31, 2017.
- Donors in high-property tax, high-income states, could face a new cap of $10,000 on deductions for local property taxes and state and local income taxes.
- All personal exemptions have been eliminated.
- **The individual tax cuts expire on December 31, 2025.**

FUNDRAISING IMPLICATIONS

Many people do not give charitable donations simply because of the tax deduction. People give because they are generous and believe in the missions of the organizations that they support. However, tax incentives do have an impact on how much is given, and in some cases, can have a significant impact, especially as gifts get larger.

- **Discretionary Income-** Donors making more than $700,000 could see a 2.2% increase in after-tax income. Middle-class taxpayers will likely see an increase of 1 to 1.5%, on average. There will be lots of change, and every donor situation is going to be unique.
- **Doubling of the Standard Deduction-** The standard deduction was doubled for all taxpayers with married couples filling together seeing a standard deduction of $24,000, not $12,000. Therefore, the threshold to take advantage of the charitable deduction (or any itemized deduction) is that much higher.
  - Taxpayers motivated by tax deductions may be less motivated if taxes have decreased.
  - Taxpayers motivated by charitable causes may now have more disposable income from which to give.

Turn Over

FUNDRAISING STRATEGY

It is difficult to say with any certainty exactly how any one donor is going to respond. The increased standard deduction could lead to some decreases in giving, only to be offset by a strong economy and growing stock market.

Focus on Major Donors. The next few years is a great time to connect with and cultivate your donors. Combined with the solid economy, the timing is perfect for high-wealth donors to make large, transformative gifts to their favorite charities.

Lower-Level Donors Expected to be Steady. While there are several key changes that may affect your donors who give small annual gifts, they aren't likely to be affected by the doubling of the standard deduction.

Mid-Level Donors May Be the Most Complicated. This includes donors giving several hundred dollars, to donors giving in the range of $1,000 - $5,000, depending on how much they're giving in total and the rest of their tax situation. These donors most likely were itemizers in 2017, but in 2018, all of the changes may lead them to consider taking the doubled standard deduction. On the other hand, these donors may end up with more discretionary income in 2018.

Stocks Gifts. Donors who give stock are probably paying enough taxes to itemize. But, even if they don't itemize, the strength of the stock market will continue to ensure that gifts of stock will likely be a popular way to donate.

IRA Rollovers. Donors age 70½ or older can contribute up to $100,000 of IRA assets directly to one or more charities and therefore the incentive to donate isn't affected by any deduction.

Planned Gifts. Because the threshold for being able to take advantage of the charitable deduction is much higher now, older donors who have stock, but may be wary of the bullish stock market coming to an end sometime in 2018, may look positively on a planned giving option.

Material includes information gathered from articles published on Association of Fundraising Professionals, National website.