



AAFCPAs

How Tax Law Changes May Impact Charitable Giving

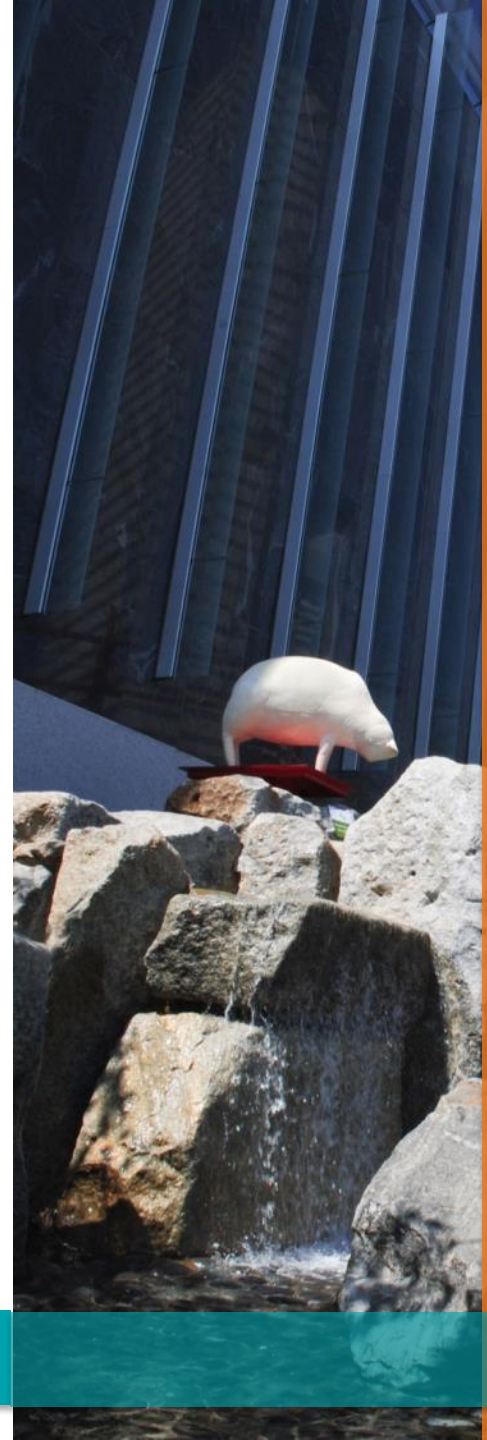


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Why are we here?

- Analysis from the American Enterprise Institute estimates that President Trump's current tax proposal could eliminate more than \$17 billion in annual giving.

The nonpartisan Tax Policy Center estimates that President Trump's tax plan would reduce giving by 4.5% to 9%.



Why are we here?

The 100-year-old charitable deduction is in danger

Under President Trump's tax plan and the House Republican Blueprint the charitable deduction faces two threats:

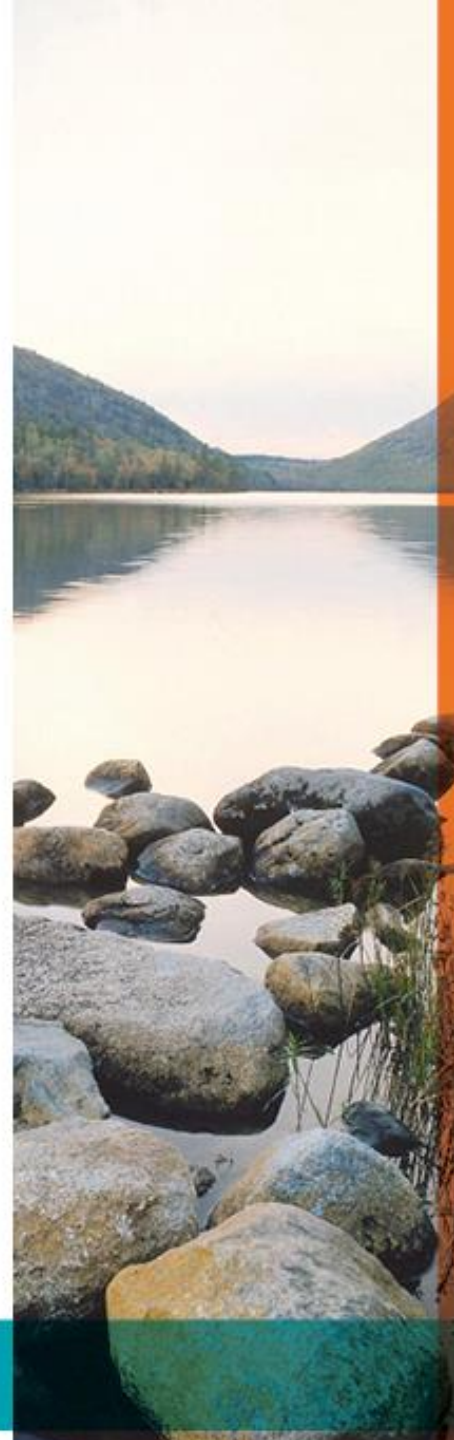
1. Curtailed income tax Incentives
2. Estate tax repeal.



Why are we here?

Income Tax Changes

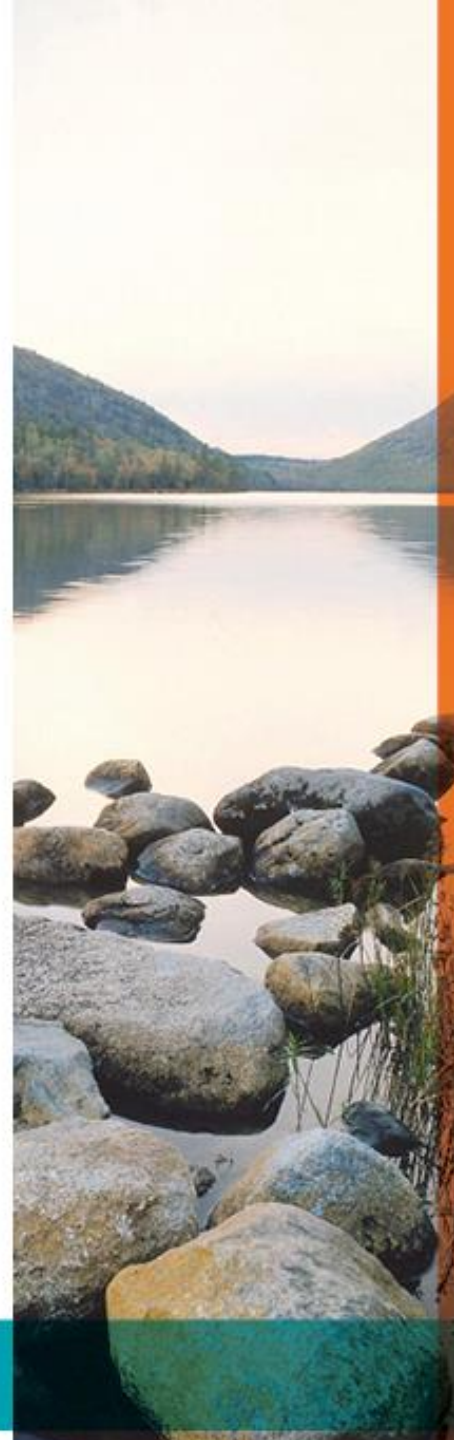
- President Trump has proposed substantial tax cuts for wealthy households.
- These cuts would reduce the after-tax benefits of making charitable gifts.
- The “Tax-Rate Effect” could be offset by the “Income Effect”
 - Lower tax rates will leave people with more after-tax income to make charitable gifts



Why are we here?

Income Tax Changes

- Charitable deduction would still be part of the tax code.
- Fewer Taxpayers would be able to use the deduction.
- Reduce taxpayers eligible to take the deduction from 25% to 5%



Why are we here?

Estate Tax

- Trump has also proposed eliminating the federal estate tax, currently at 40%.
- If there is no estate tax, charitable bequests may be significantly reduced.



Why are we here?

Corporate Tax Changes

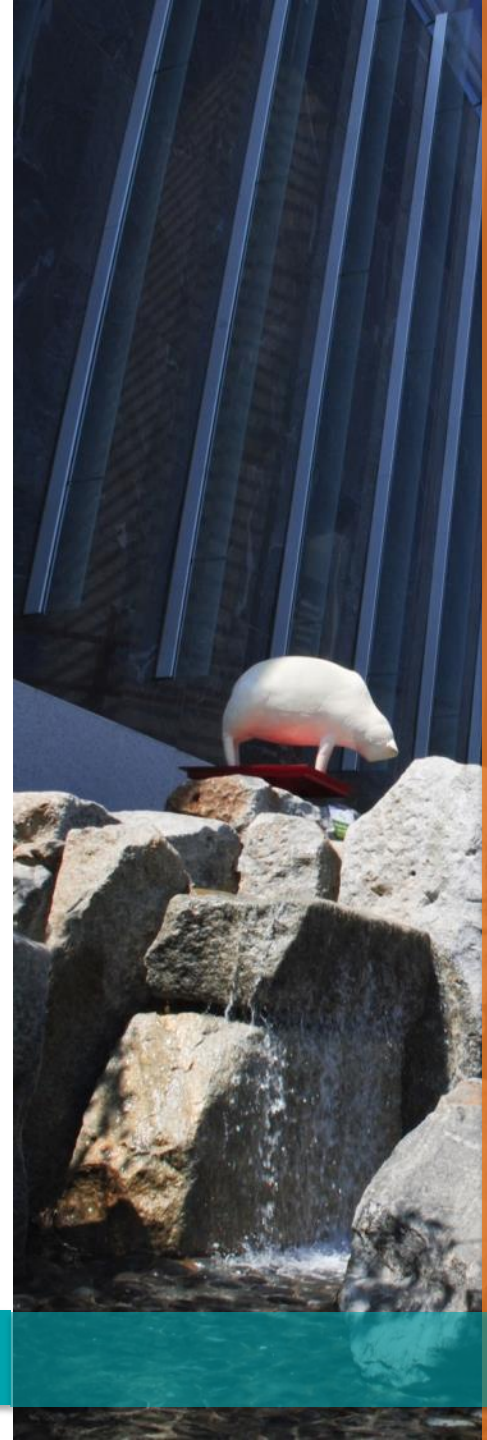
- Administration Tax Plan calls for reducing the business tax rate to 15%



Are People Motivated by Tax Law?

U.S. Trust Study of High Net Worth Philanthropy

- People's main motivations for giving were to
 - Make a difference (73.5%)
 - Personal satisfaction (73.1%)
 - Receiving a tax benefit cited by just 34.4% of respondents.



Are People Motivated by Tax Law?

- In 2009 - 67% of people said they would decrease charitable giving if the deduction were eliminated,
 - Up from 46.6% in 2005.
- Jon Bakija of Williams College found that in the 70's when highest tax rate was 70%, wealthier Americans gave 2x as much as taxpayers in 2007



What Can You Do?

Review Financial Statements and 990s

- Your 990 should be a key component of an overall marketing plan
- Ensuring that the form's narrative sections tell the not-for-profit's story of how it is fulfilling its mission
- Grant makers and Donors often review 990's to ensure that the charities mission and programs are aligned with their values and goals

What Can You Do?

People are Motivated by Matches

- Yale and University of Chicago joined with a nonprofit to send out 50,000 fundraising letters
- Some offered various levels of matching while others were simple requests to donate
- Offering a matching donation increased giving by 20%.
- Amount of the match did not matter.

What Can You Do?

Redouble your Fundraising Efforts

Government Grants Can Hurt Giving

- “Crowding Out” — People feel less need to make personal contributions
- “A lot of that fall in private giving is attributable to the charity cutting back on its fundraising efforts”

Waste drives down donations

- Review the 990 and Administration Expenses

What Can You Do?

- Organizations should make lawmakers aware of how proposed legislation would impact their abilities to deliver their programs.
- Listen to your donors
- Be prepared to rethink your budgets



Questions & Comments



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