

CHARITABLE GIVING & TAXES

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NONPROFIT STATISTICS

- 2013 – there are 1.41 million nonprofits recognized by the IRS
- \$905.9 billion dollars were contributed to the economy by these entities
 - Represents 5.4% of GDP
 - Over 30% of this comes from donations
- 2010 – nonprofits accounted for 9.2% of all wages and salaries paid

NON PROFIT ENTITIES MAKE A DIFFERENCE!!

WHO ARE THE BEST GIVERS?

- “U” shaped relationship between adjusted gross income and charitable giving
- Those with high or low income or wealth give more to charity than the middle class

TAX CUT JOBS ACT – THE NEW NORMAL

- Old: 30+% of taxpayers itemized deductions
 - 46.5 million in 2017
- 2018: number of taxpayers itemizing will decrease 60%
 - 16 million taxpayers
- Tax rates are lower
 - When rates are high people donate more money

HOW ARE NON PROFIT GROUPS IMPACTED?

CHARITABLE DOLLARS

- 2016 Charitable Deductions by taxpayers were \$390.05 Billion
 - 75% of these donations were from individuals
 - \$281.86 Billion in donations
- Giving could decline by an estimated 4.6%
 - Approximately \$13 Billion
 - Some estimates are higher than this!

CONCLUSION: DONATIONS CHARITIES HAVE ACCESS TO WILL MOST LIKELY BE LESS AS THE GENERAL PUBLIC GIVES LESS

ITEMIZED VS. STANDARD DEDUCTION

- As an offset to income, the government “gives” people a standard amount to deduct before calculating tax
 - 2017: \$12,700 MFJ (\$6,350 Single)
 - 2018: \$24,000 MFJ (\$12,000 Single)
- If itemized deductions exceed standard amount then you would deduct this against income
 - NYS Taxes paid (included paycheck withholdings)
 - Real Estate Taxes
 - Mortgage Interest
 - Charitable Gifts

JOINT RETURN – RETIRED COUPLE

	2017	2018
Dividends	\$ 700	\$ 700
Retirement	60,000	60,000
Taxable Social Security (85%)	28,900	28,900
Adjusted Gross Income	89,600	89,600
Itemized Deductions		
NYS State Taxes	5,000	5,000
Real Estate Taxes	7,000	5,000
Mortgage Interest	4,500	4,500
Contributions	2,000	2,000
Total Itemized Deductions	18,500	16,500
Standard Deductions (\$12,700 +1,250)	13,950	24,000
Personal Exemption	8,100	-0-
Taxable Income	65,000	65,600

Summary:

Taxpayer would have to donate over \$7,500 more in order to see a tax benefit for charitable gifts!

KNOW YOUR DONORS

- What motivates them?
 - Fringe Donor vs. Donor
 - Why do they give?

Getting donor's to know your mission has become more important as organizations could face challenges maintaining donations

STRATEGY TO MAINTAIN DONATIONS

- “Bunching” of Charitable Gifts
- Qualified Charitable Distributions (QCD)
- Donate appreciated stock
- Planned Giving

Changes in the tax code challenge and encourage organizations to engage with donors about giving in unprecedented ways

“BUNCHING” OF GIFTS

- Give a multiple year gift in one year
- Example:
 - Taxpayer regularly donates \$7,000 per year to various charities
 - Taxpayer would elect to give two years of gifts in one year
 - Taxpayer would potentially be able to itemize in one of the two years

JOINT RETURN – RETIRED COUPLE

	2018 – Annual Gift	2018 – “Bunching”
Dividends	\$ 700	\$ 700
Retirement	60,000	60,000
Taxable Social Security (85%)	28,900	28,900
Adjusted Gross Income	89,600	89,600
Itemized Deductions		
NYS State Taxes	5,000	5,000
Real Estate Taxes	5,000	5,000
Mortgage Interest	4,500	4,500
Contributions	7,000	14,000
Total Itemized Deductions	21,500	28,500
Standard Deductions	24,000	24,000
Eligible for Itemized Deductions?	NO	YES

QUALIFIED CHARITABLE DISTRIBUTION (QCD)

- Only taxpayers over 70½ are eligible
- Can donate up to \$100,000 each year as a QCD
- Money must be transferred **directly** from an IRA to the charity
 - Donation can satisfy donor's required minimum distribution requirement
 - Distribution is not taxable to the donor
 - Donor is not allowed a deduction for charitable gift
- Donation requires a gift receipt
- Charity must be a 501(c)3
 - Cannot be a private foundation or a donor-advised fund

JOINT RETURN – RETIRED COUPLE

	2018 – Annual Gift	2018 – QCD
Dividends	\$ 700	\$ 700
Retirement	60,000	53,000
Taxable Social Security (85%)	28,900	28,900
Adjusted Gross Income	89,600	82,600
Itemized Deductions		
NYS State Taxes	5,000	5,000
Real Estate Taxes	5,000	5,000
Mortgage Interest	4,500	4,500
Contributions	7,000	-0-
Total Itemized Deductions	21,500	14,500
Standard Deductions	24,000	24,000
Eligible for Itemized Deductions?	NO	NO
Taxable Income	65,600	58,600

APPRECIATED STOCK DONATIONS

- Donate appreciated stock to a charity
- Donor avoids tax on gain because IRS does not consider this a sale of stock
- Charity sells stock and receives cash
 - Gain, if any, is not taxable to the charity

PLANNED GIVING

- Estate tax exclusion was increased to \$11,200,000 (\$22,400,000 for married couples)
- Research suggests that the elimination of estate tax would lead to an increase of planned giving

CORPORATE GIFTS

- Corporate tax rates were dropped from ~35% to 21%
- Corporations retain more money due to a smaller tax bill



QUESTIONS

Thank you!

