

WHAT ARE THE IMPLICATIONS OF THE TAX CUTS AND JOBS ACT FOR CHARITABLE GIVING IN ARIZONA?

Arizona's nonprofits could lose approximately **\$273 million** in charitable giving as a result of the Tax Cuts and Jobs Act.

This is equivalent to a **5.2% fall** in total estimated giving in the state in 2018.

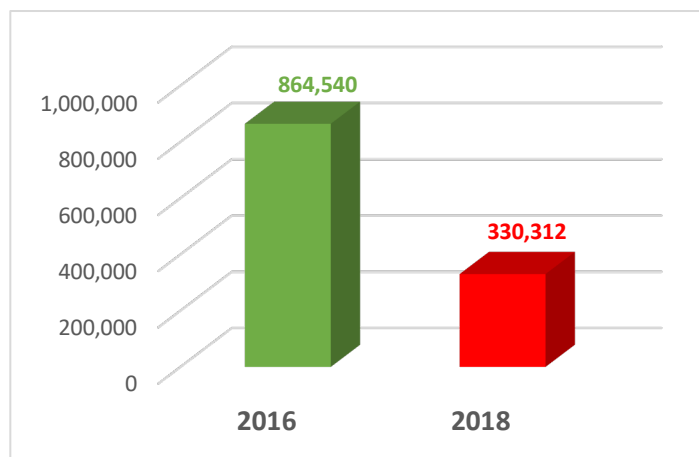
A near doubling of the federal standard deduction offered to single and married taxpayers, combined with a reduction in marginal rates and changes to some income bracket thresholds, will collectively encourage less taxpayers to file itemized deductions on their 2018 federal returns.

IMPACT ON ITEMIZED RETURNS IN ARIZONA

In 2016, almost 3 out of every 10 Arizona state tax filings included itemized returns.

Seidman projects that **534,000 less** Arizona taxpayers will file itemized returns in 2018, compared to 2016, as a result of the Tax Cuts and Jobs Act.

This is equivalent to a **61.8% decline** in itemized deduction filers in the state.



Number of Itemized Deduction Filers by Year in Arizona



IMPACT ON CHARITABLE DONATIONS

Over 80% of charitable donations are annually reported as itemized deductions on federal tax forms; and Arizona law requires filers who itemize deductions on their state tax returns to primarily use federal deductions.

Estimates of the impact of the Tax Cuts and Jobs Acts on charitable giving are greatly influenced by the taxable income of a taxpayer, their rate of taxation, and the price elasticity of charitable donations.

Seidman's estimated **shortfall of \$273 million** is based on a conservative -0.5 price elasticity of demand applied to tax data sourced from the IRS and the Arizona Department of Revenue.

A -1.0 price elasticity of demand commonly favored by other analysts, including the American Enterprise Institute, will double Seidman's projected shortfall in total charitable giving to more than \$545 million in 2018.

WHAT DOES A \$273 MILLION SHORTFALL IN CHARITABLE GIVING MEAN FOR THE ECONOMY?

A **\$273 million shortfall** in charitable giving in 2018 will have **significant negative impacts** for the State of Arizona economy. These include:



\$775.4 MILLION

LESS GDP BY STATE

This is the estimated reduction in the total final value of all goods and services produced in Arizona in 2018.

10,587

FEWER JOBS

This is the estimated statewide shortfall in full- and part-time employment for 12 consecutive months.



\$493.5 MILLION

LESS LABOR INCOME

This is the estimated shortfall in both employee wages and benefits, and proprietor income.