HOW WILL TAX REFORM AFFECT GIVING TO YOUR CHURCH OR NONPROFIT?

There are plenty of headlines and speculation on how The Tax & Jobs Act of 2017 will effect charitable giving in the U.S. Now that the new tax law is in place, its impact on charitable giving will be revealed in the months and years ahead. The challenge before our nonprofit community is to help supporters understand the value of each charitable gift, how these gifts support your mission, and the giving benefits that remain for individuals and families. What will be the impact of tax reform on charitable giving to your nonprofit? Consider the following:

How many Americans itemize on their taxes?
In the past, approximately 24% of all taxpayers itemized charitable gifts, big or small, among their deductions. Here's the twist – many more people give to charity and don't itemize. While the minimum threshold for itemizations increased as part of this tax reform, its impact is expected to be negligible for higher and lower income supporters. A starting place for consideration of tax reform's impact on your nonprofit comes down to knowing your existing and future supporters.

Why do people give?
Some may be surprised to learn that people's reasons for giving are not primarily for the tax deduction. Based on donor surveys conducted by InFaith Community Foundation, the top motivator for their giving is to address community needs. Second is giving in response to life's blessings and as an expression of faith. Personal financial benefits and tax advantages ranked a distant third. On other national surveys, the tax deduction ranks fifth in reasons to give. What's most important to your supporters?

How will tax reform change your messaging?
In many ways, tax reform offers a wakeup call for nonprofits to share their organization's distinction, how charitable gifts are used and the difference gifts are making.

How can we encourage supporters to give in ways that make sense for them?
How do your supporters give and what other options might serve your supporters' giving interests and financial circumstances? Ultimately, we want our supporters to make gifts in amounts and in ways that match their situation. We're all familiar with gifts of cash, but there are other types of gifts that may serve your supporters' interests, including:

- Gifts made upon death, such as bequests and beneficiary proceeds.
- Donor advised funds, where donors create a fund, make gifts and grants to favorite charities at times of their choosing. (See the "bundling" opportunity below.)
- Giving long-term appreciated securities not currently needed by the supporter. Supporters continue to avoid capital gains under the new tax law.
- Required minimum distributions for IRAs from supporters who are 70 ½ or older.

And after you receive a first gift, how do you thank and engage supporters? This building of relationships ultimately enhances the likelihood you'll receive additional gifts.

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EMERGING CHARITABLE OPPORTUNITIES IN RESPONSE TO TAX REFORM

Following recent tax reform, two giving solutions – Qualified Charitable Distributions and "bundling" – are expected to grow in popularity given higher thresholds for itemized deductions.

Qualified Charitable Distributions (QCDs). People 70 ½ or older can give required minimum distributions from their IRAs by making them "qualified charitable distributions", also known as QCDs. One requirement is that distributions must be made direct from the IRA plan administrator to the charity. These distributions can be used to create a charitable fund that supports your nonprofit and other nonprofits, or can be given directly to the nonprofit. People making the gift avoid recognizing IRA distributions as income while meeting required minimum distribution requirements. Up to $100K can be given annually.

"Bundling". This strategy describes how supporters can "bundle" two or more years of charitable contributions into one year to meet the new threshold required for itemization.

- A donor advised fund provides the ideal solution for this type of giving – you make your charitable gifts now and decide when and how much to give to charities later.
- People can give cash, or give long-term appreciated assets and avoid capital gains, one of many giving benefits that remain in place under the new tax law.

More about Implications of Tax Reform on Charitable Giving

The good news is that the charitable deduction came through the tax reform process relatively unchanged and was even enhanced for some donors making larger gifts.

- Because the standard deduction was increased for both individuals and couples filing jointly, fewer people are expected to itemize. As a result, the income tax deduction for contributions to charities will be unused by many.
- The new law makes no changes in provisions related to charitable gift annuities, charitable remainder trusts and other tax-qualified deferred gifts.
- For charitable gifts of cash, the amount that can be deducted each year was increased from 50% to 60% of AGI (30% remains the limit for appreciated property). Any gift amount that exceeds this threshold can be carried forward for five additional years.

QUESTIONS?

Your Thrivent Financial Advisor can help you and your supporters give wisely and in expanded ways. InFaith Community Foundation's full range of giving options is also available to help your supporters make planned gifts to your nonprofit.

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