



Tax changes could derail Americans' year-end charitable donations

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Charities have received less money so far this year from fewer donors, a trend that could be exacerbated in the fourth quarter due to changes made to the U.S. tax code.

According to a recent study from the Association of Fundraising Professionals, as of the end of September, the number of donors declined 6.6 percent in the second quarter of 2018 when compared with the previous year. The donor retention rate, or the number of donors who planned to give to the same organization, declined 6.4 percent during the same time period.

Overall revenue has declined so far this year when compared with 2017, as have \$1,000-plus gifts and gifts under \$250.

“We were worried after the first quarter, but I’d say after the second quarter data, alarm bells should be ringing for most charities,” Elizabeth Boris, chair of the Growth in Giving Initiative, said in a statement.

Part of the reason for the decline could be tax reform. As a result of the Tax Cuts and Jobs Act, signed into law nearly one year ago, a smaller number of Americans are expected to benefit from the charitable giving deduction. The tax law upped the standard deduction by nearly double for both individuals and married couples, which is expected to result in fewer people itemizing.

According to estimates from the Tax Policy Center, the number of people who claim the deduction for charitable giving is expected to decline to 16 million this year from 37 million.

Higher-income Americans may continue to itemize, and will therefore benefit from the charitable giving deduction – compounding an ongoing trend showing charities are relying on contributions from a shrinking pool of donors.

The fourth quarter is usually the most popular for charitable giving – experts say record numbers at the end of 2017 signal people may have been looking to take advantage of the deduction while it was still financially advantageous to do so.

The news isn’t all bad for charities, however. Chris Edwards, the director of tax policy studies at the Cato Institute and editor of www.DownsizingGovernment.org, said an increased limit for

charitable deductions under the Tax Cuts and Jobs Act, as well as strong economic growth, will spur Americans to continue donating.

“Americans are the most generous people on the planet, and they will continue to be so with the new tax law in place,” Edwards told FOX Business.