REFLECTIONS ON THE PROPOSED TAX REFORM

As the House and the Senate committees are reconciling the differences in their versions of the proposed new tax reform bill, H.R. 1, there has been a lot of discussion about what the new tax law will entail, and how it will affect non-profits and charitable giving. Here, we offer a brief overview of relevant changes detailed in the House and Senate bills, discuss their potential impact on charitable giving.

Standard Deduction: The Senate and House versions both double the standard deduction, which means fewer people are likely to itemize and take advantage of the charitable deduction. Currently, about 30% of tax payers itemize and they are responsible for 82% of total US philanthropy. It is estimated that as few as 5% of taxpayers may itemize under the new law.

Estate Tax: Both versions double the estate tax exemption, thereby reducing in some instances the incentive to consider a gift to charity as part of an estate. The Congressional Budget Office (CBO) estimates that eliminating the estate tax could reduce charitable giving through wills by between 16% and 28%. Other studies have found even larger effects.

Limit on Donations: Both versions would increase the limit on cash charitable donations to 60% of adjusted gross income for those who itemize, up from the current 50%. The increased limit will allow for greater savings for taxpayers who continue to itemize deductions.

State and Local Tax Deductions: Both versions would repeal the option to deduct income taxes of both state and local government. States with some of the largest income tax burdens are also states with the largest number of itemizers and some of the highest levels of philanthropy. Some examples, with current itemizer percentages, are the following: NY (37%), CA (37%), MD (49%), MA (40%), CT (44%), OR (40%). The number of itemizers is likely to decline significantly in these states.

Recommendations for our Parishioners:

- Giving significantly in the remaining weeks of 2017 offers many tax advantages to donors in virtually all tax brackets and states.
- If you are considering future charitable gifts, consider the option of prepaying them in 2017 so they can be claimed on this year's tax return.
- Donors over 70 years old who are taking required minimum distributions from IRAs are able to give directly to charity and reduce their taxable income.
- Another avenue for those of any age is to donate appreciated stock.
- Because options to deduct gifts vary from state to state, as well as within different tax brackets, the importance of understanding these potential changes and how you may be affected by them is paramount. Donors should check with their financial advisors or accountants to discuss options and strategies.

Provided by Community Counseling Services (CCS). CCS is a strategic fundraising firm that partners with non-profits for transformational change. For seven decades, the firm has empowered many of the world's greatest organizations to advance some of the most important causes in history.