

Deduction Malfunction: How the Tax Cuts and Jobs Act is Impacting Charitable Giving

The Tax Cuts and Jobs Act

As many Americans wrap up their tax returns this year, most have noticed the form looking a little different. The Tax Cuts and Jobs Act passed in December of 2017 changed many aspects of current tax law, including a significant increase in the standard deduction for individuals.

The standard deduction has almost doubled in 2018, causing many taxpayers, who previously itemized their tax returns, to instead claim the standard deduction. Charitable contributions are a common itemized deduction that result in the taxpayer's benefit, and with less Americans itemizing, it is possible that Not-for-Profit organizations will see a decrease in donations.

2018 Key Trends in Giving

The Blackbaud Institute for Philanthropic Impact released its annual Charitable Giving Report in late February of 2019 and the results may serve as reassurance to Not-for-Profits who expected to see a decline in giving because of the change.

Key takeaways from the Blackbaud Institute 2018 Charitable Giving Report:

- Overall giving grew 1.5% on a year-over-year basis
- Online giving grew 1.2% on a year-over-year basis
- 2018 continued the longest sustained period of charitable giving growth since the last recession

The Fundraising Effectiveness Project, spearheaded by the Association of Fundraising Professionals, reported a slightly more troubling situation in their Quarterly Fundraising Report for 2018.

Top insights from the Fundraising Effectiveness Project Quarterly Fundraising Report for 4th Quarter of 2018:

- Overall giving grew 1.6% in 2018
- Total giving from gifts \$1,000 or more increased by 2.6%
- Gifts in the \$250 - \$999 range dropped by 4.0%
- Gifts under \$250 dropped by 4.4%
- Total number of donors dropped by 4.5%

Looking Ahead

Many Not-for-Profits maintain the idea that most donors do not think of charitable giving simply as a tax deduction and rather make individual gifts to support a mission they are passionate about. Both above studies do note an overall increase in giving, however the full effects of the Tax Cuts and Jobs Act may not be felt until later this year as individuals continue get a better grasp on the changes. It is important for Not-for-Profits to take a proactive approach to the changes as their donor base continues to evolve.

Access the 2018 Charitable Giving Report Here:

<https://institute.blackbaud.com/asset/2018-charitable-giving-report/>

Read the Fundraising Effectiveness Project Quarterly Fundraising Report for 4th Quarter of 2018 Here:

<http://afpfep.org/blog/fundraising-effectiveness-project-quarterly-fundraising-report-for-q4-2018/>

Need More Help?

If you have any questions regarding the Tax Cuts and Job Acts of 2017 or any Not-for-Profit industry topic, contact Brooke Bauerle at bbauerle@rgcocpa.com or any other member of the Rivero, Gordimer & Company not-for-profit engagement team at (813) 875-7774.

About the Author:

Brooke Bauerle joined Rivero, Gordimer & Company in 2014. Prior to joining the company, Ms. Bauerle spent 2 years in Forensic Accounting and Litigation support and has experience in both civil and criminal cases. Ms. Bauerle has experience in auditing governmental and not-for-profit organizations and specializes in Uniform Guidance and State of Florida Single Audit Acts.