# Six Tax Reform Issues Impacting Nonprofit Organizations

*Continued…*

## 6. Various new tax provisions will change charitable giving.

With the increase in the standard deduction and the limitation on deducting state and local taxes, fewer people will likely itemize their deductions on their 2018 returns, thus decreasing the tax incentive to make charitable gifts. In addition, the estate and gift tax exclusions were also doubled, which may lessen the incentive to make bequests to charities. These changes may lead to an estimated $12 to $20 billion decline in overall charitable giving, according to the Tax Policy Center.

Nevertheless, the tax incentives for high net worth persons were increased by raising the annual limit of cash donations to public charities from 50 percent of a person's adjusted gross income (AGI) to 60 percent. The Act also repeals the "Pease" limitation, which was originally created to raise tax revenue by reducing the amount of the allowable itemized deductions (including charitable contributions) once a taxpayer's AGI reached a certain amount. This provision came into effect on Jan. 1, 2018 and sunsets in 2025. Therefore, charities should focus on developing high net worth donors now.

Finally, the law eliminates the 80 percent charitable deduction for contributions to organizations where the donor receives the right to purchase tickets to college and university athletic events. The prior law ran contrary to established tax law, which stated that there would be no charitable deduction when something of value was received in return. Thus, individuals should take extreme caution if they encounter a scheme that allows for a tax deduction in exchange for a chance to buy priority seating. Just as a raffle ticket sold by a charity is not deductible, neither is purchasing a chance to buy tickets. The IRS will be on the lookout for new arrangements that attempt to avoid the new law and could even go after them as tax shelters.