Tax Bill Impact: Fundraising Strategy for 2018

With the new tax law, there are as many possibilities and situations as there are donors, and again, these are all general guidance ideas. Some charities may find that they're not affected much at all by the new tax laws, and others may see a significant impact. Here are some thoughts on how to proceed:

1) **Focus on Major Donors**. Wealthier donors, in addition to seeing a larger tax cut and the increase in the estate/gift tax exemption limit, can also take advantage of two other tax changes:
    a) An increase in the limit on the amount of total charitable giving that can be deducted in one year, from 50 percent to 60 percent of adjusted gross income; and
    b) The elimination of the Pease Limitation, which acted as a surtax on high-income taxpayers by reducing the value of their itemized deductions by three percent.

2) **Corporations May Be Full of Opportunities.** What the new tax law does for corporations can't be overstated: tax rates dropped significantly, up to 40 percent for some larger businesses. Now is an opportune time to develop connections and make your pitch.

3) **Small-Level Donors Likely to be Steady**. While there are several key changes that may affect donors who give small annual gift gifts, they aren't likely to be affected by the doubling of the standard deduction. Most smaller-level donors will likely continue to give at current levels.

4) **Mid-Level Donors May Be the Most Complicated—So Get to Know Them**. With gifts ranging from several hundred to several thousand dollars, this group itemized in 2017. But with the changes, they may consider taking the doubled standard deduction. On the other hand, they may end up with more discretionary income in 2018. You need to get to know them. You don't need to talk specifically about their tax situation, but you can (and should) ask them about what they want to support and if they know how the new tax law will affect them.

5) **Stocks Are a Winner**. Donors who give stock are probably paying enough taxes to itemize. But, even if they don't itemize, the strength of the stock market will continue to ensure that gifts of stock will likely be popular throughout the year. Remember, donors don't have to pay the capital gains on the appreciation of their stock gifts, which can be a big incentive.

6) **IRA Rollovers Should be Explored**. If you're not familiar with the Charitable IRA Rollover, find out. Donors age 70½ or older can contribute up to $100,000 of IRA assets directly to one or more charities. The incentive to give isn't affected by any deduction, as the gift counts towards the donor's annual required distributions from the IRA and is removed from taxable income.

7) **Planned Gifts May Be More Attractive**. So, if the threshold for being able to take advantage of the charitable deduction is much higher now, what's a donor to consider doing? Maybe it's time for that planned gift to increase deductions and ultimately reduce your tax while getting a fixed payment every year. Older donors who have stock, but may be wary of the bullish stock marketing coming to an end sometime in 2018, may look favorably on a planned giving option.