Winter 2018/2019

Estate Planning Update Winter 2018/2019 - New Tax Law May Have a Chilling Effect on Charitable Giving

As discussed in our July 2018 *Update* article titled "The Increased Standard Deduction: Impact on Charitable Giving," the Tax Cuts and Jobs Act (the Act) indirectly decreased the tax incentives for charitable giving by nearly doubling the standard deduction. This means that fewer taxpayers will itemize their tax deductions and taxpayers who no longer itemize may be less inclined to make charitable gifts. Only time will tell how the Act will change the charitable giving landscape. In the interim, a few estimates from various sources demonstrate the chilling effect the Act could have on charitable giving:

- According to the Joint Committee on Taxation, an estimated *28.3 million fewer taxpayers will itemize* deductions in 2018 compared to 2017.
- The National Council of Nonprofits has estimated that doubling the standard deduction *will shrink charitable giving by $13 billion or more* each year.
- According to the nonpartisan Tax Policy Center:
  - The share of middle-income households claiming the charitable deduction will fall by two-thirds, from about 17 percent to just 5.5 percent.
  - Among those making between $86,000 and $150,000, the percentage of taxpayers itemizing their charitable gifts will decrease from approximately 39 percent to 15 percent.
  - Overall, the act is likely to reduce charitable giving by approximately 5 percent, and those charitable gifts will come from fewer (and wealthier) taxpayers.

Our July 2018 *Update* article mentioned above describes strategies that can be used in order to better utilize the charitable deduction under the new tax law.