



VIEW*S* & VISIONS

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Charitable Giving and the New Federal Tax Law

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Dr. Michelle Foster is the President and Chief Executive Officer of The Greater Kanawha Valley Foundation, where she focuses efforts on developing an impact measurement framework to help the Foundation and its donors fully understand the social return on their community investments.

Prior to joining the Foundation, Foster was the Chief Executive Officer of the Kanawha Institute for Social Research and Action, Inc. for 18 years and a chemical engineer at Union Carbide for five years.

Foster has a doctorate and master's degree in community economic development, a master's in engineering management and is a certified economic development financial professional and a certified housing development financial professional. She completed university-level studies in impact investing at Oxford's Saïd Business School and nonprofit management and leadership at Harvard's John F. Kennedy School of Government.

She is the chairperson of the West Virginia Community Development Hub Board of Directors, a member of the State Workforce Development Board, the Philanthropy West Virginia Board of Directors and a founding member of African American Philanthropy in Action (a giving circle). Foster has served as the Minister of Administration of Ferguson Memorial Baptist Church since 1997 and as treasurer of the Charleston-Institute Chapter of the Links, Incorporated, since 2011.

The Greater Kanawha Valley Foundation (TGKVF) is the largest community foundation in West Virginia and central Appalachia. Since being established in 1962, TGKVF's primary purpose has been to assist and support individuals, families, businesses and communities throughout West Virginia in achieving their unique philanthropic goals. In 2017, donors contributed \$2.8 million to discretionary, donor-advised, donor-designated, field of interest and scholarship funds. The Foundation's assets under management grew to \$246 million dispersed among 515 charitable funds. Thirty-five percent of TGKVF's assets are in donor-advised funds. Donor-advised funds represent the largest category of funds that the foundation manages.

Donors who establish or contribute to a donor-advised fund at a foundation like TGKVF are eligible to receive current federal income tax deductions, even though the gifts to the charitable organizations they select are distributed at a later date and can be distributed in perpetuity. Donor-advised funds are for those who wish to remain active in the giving process. With a gift of \$10,000 or more, one may create a donor-advised fund at TGKVF with its own name and charitable purpose(s).



GREATER KANAWHA VALLEY FOUNDATION

Donors to this type of fund reserve the right to make grant recommendations to specific charitable organizations that have meaning to them. The flexibility of this type of fund allows donors to vary their charitable contributions from year to year and encourages philanthropy of future generations. Investments, paperwork and grantee monitoring are all handled by the Foundation, with recognition to the donor for the gift.

The new federal income tax law increased the standard deduction to \$12,000 per taxpayer and \$24,000 for joint filers. The itemized deduction for state and local taxes is now limited to \$10,000 per single or couple filers and miscellaneous itemized deductions are not generally allowed. For 2018, federal taxable income is defined as gross income, less adjustments, equals adjusted gross income, less either itemized deductions or standard deduction. Personal exemptions are no longer allowed. To account for the standard deduction increases, one may consider alternating charitable contributions to itemize sizeable charitable contribution deductions when necessary and to claim the standard deduction at other times.

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The new law sparked fear in the nonprofit sector. Charitable organizations that rely on direct donations are concerned that these changes in the standard deduction can have a negative impact on the contributions they receive. However, I believe in the generosity of our citizens. Despite the tax law changes, I posit that Americans will continue to give liberally to charitable organizations.

Powered by a booming stock market and a strong economy, charitable giving by American individuals, bequests, foundations and corporations to U.S. charities surged to an estimated \$410.02 billion in 2017, according to *Giving USA 2018: The Annual Report on Philanthropy for the Year 2017*. “Americans’ record-breaking charitable giving in 2017 demonstrates that even in divisive times our commitment to philanthropy is solid. As people have more resources available, they are choosing to use them to make a difference, pushing giving over \$400 billion,” said Aggie Sweeney, CFRE, chair of Giving USA Foundation and senior counsel at Campbell & Company. “Contributions went up nearly across the

board, signaling that Americans seem to be giving according to their beliefs and interests, which are diverse and wide-ranging.”

Giving USA also reported the following:

- Total giving to charitable organizations was \$410.02 billion in 2017 (2.1 percent of GDP). This is an increase of 5.2 percent in current dollars and three percent in inflation-adjusted dollars from 2016.
- Giving has increased in current dollars every year since 1977, except for three years that saw declines: 1987, 2008 and 2009.
- As in previous years, the majority of that giving came from individuals. Specifically, individuals gave \$286.65 billion, accounting for 70 percent of all giving and representing a three percent increase over 2016.
- In 2017, per capita giving by U.S. adults reached \$1,165, and average U.S. household giving reached \$2,271.
- For the year 2017, it is estimated that giving by non-itemizing

individuals grew 3.3 percent and giving by itemizing individuals grew 5.6 percent.

- Giving by bequest increased by 2.3 percent to \$35.70 billion (nine percent of all donations).
- Foundations – which includes grants made by independent, community and operating foundations – gave \$66.9 billion (16 percent of all donations). This represents a six percent increase over the prior year.
- Corporations grew by eight percent to \$20.77 billion (five percent of all donations).

Giving USA 2018: The Annual Report on Philanthropy for the Year 2017 shows that giving is on the rise nationally. I expect this trend to continue in 2018 and beyond, regardless of the change in the tax law. ▽