



"Giving" Advice



**TOLEDO COMMUNITY
FOUNDATION**
300 MADISON AVENUE
SUITE 1300
TOLEDO, OHIO 43604

419-241-5049
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ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors

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Do Charitable Deductions Affect Your Giving?

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Some years ago, The Philanthropic Initiative asked donors to rank seven possible reasons for giving. Among the choices were tax incentives. Then they asked fundraisers how they thought donors would rank the same list.

For donors, tax deductions were at the bottom of their list; fundraisers ranked tax deductions at the top. Since then, fundraisers have learned more about the motivations of their donors, but the question remains: Just how important are charitable tax deductions? Do they affect your giving decisions? Would a loss of all or part of your tax deduction change how much or what you give?

The current economic environment and the political shift in Washington have donors and nonprofits alike thinking more deeply about charitable deductions and the impacts on the nonprofit sector when the rules change.

Within days of the release of President Obama's budget blueprint earlier this month, questions were raised about a proposal to cap the itemized deduction for charitable gifts for the "wealthiest donors."

Statistics were flying about how few people (1.2 percent of US households) would be affected and how little charitable donations would decline (about 1.3 percent). Some pointed out that the impact would be delayed and that by January 2011, the effective date, the country would be "recovering" from the recession.

Yet others predicted the devastating impact on nonprofit organizations as their donors reduced their giving to compensate for the loss of a portion of their deduction.

transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

The conversations and opinions about taxes and giving revolve around several issues:

Political philosophy:

Donors give money to nonprofits

to make something happen. That something is generally in line with their values. In making the gift, they are investing in an outcome.

Tax deductions leverage the donation so that donors can either increase their gift by the amount of the tax benefit or use what would otherwise be public dollars for their own charitable purposes.

Those who advocate for reducing the charitable deduction are arguing for the government to determine how the money is spent for the public good. Those who advocate for maintaining (or even increasing) the charitable deduction are arguing that the government should continue to incentivize private investment in the public good.

A differential income tax charitable deduction:

The \$250,000 income threshold for the proposed changes identified one parameter of wealth, but not the only one. Some would argue that assets are a critical wealth factor not addressed in this discussion and that the impact of inflation over time would impact a growing number of donors, much like the alternative minimum tax that was never intended to affect the middle class.

Altruism:

Psychosocial motivations for giving are complex, but there are many who believe that charity should be selfless, untarnished by recognition or reward. Yet the reality is that donors are thanked publicly, they have buildings or scholarships or memorial gifts in their names, and there

are financial incentives to giving such as challenge grants or matches.

Some embrace the idea of leveraging gifts, using the entrepreneurial model. Some believe that the only true philanthropy is anonymous. Would donors reduce their giving if their deduction were to be eliminated? The Center on Philanthropy indicated that nearly half its sample would, somewhat, based on its research, but the majority wouldn't.

Gift planning:

In 2008, seven of the ten largest charitable gifts were made by bequest. The major tax policy that affects bequests is not the charitable deduction, but the estate tax which is also in the spotlight. The "sunset" provision in

the current law allows the estate and gift tax to expire next year. The Administration's current budget proposal would freeze and make permanent the estate tax rules for 2009 which provide for an estate tax exclusion of \$3.5 million and a maximum estate tax rate of 45 percent.

Uncertainty:

The loss of equity value in stocks, real estate and other assets, the volatility of the markets, and the shifting sands of tax regulation combine to make this a difficult climate for giving decisions. Donors and non-profits alike are adjusting to the new realities and reverberations of their economic situation and making decisions that focus on the fundamental reason people give: to make a difference.

It has been said that the only constant is change, but whatever their motivations, donors will continue to give when and as they can to provide opportunity, to address need, and to inspire excellence.

Enid Ablowitz is associate director of the University of Colorado's Coleman Institute for Cognitive Disabilities and vice president for strategic philanthropy at the CU Foundation.

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