

The following highlights prepared for the National Community Investment Fund are a summary of provisions of the Tax Cut and Jobs Act (the “Act”) related to impacts on U.S. charitable giving and philanthropy.

Prospective General Impact of Tax Bill on U.S. Philanthropy

Philanthropy experts anticipate that the Act is likely to negatively impact the amount of charitable giving in the U.S. The Chronicle of Philanthropy estimates that donations could decrease by as much as \$20 billion in 2018 (out of \$300 billion given annually), with a particularly impact on middle-income donors. In particular, the following changes may result in a revised giving strategies.

- *Higher standard deduction.* The standard deduction has been increased to \$12,000 for single filers (from \$6,350) and \$24,000 for joint filers (from \$12,700) until 2025. This increase in the standard deduction may result in a decrease of taxpayers who utilize the charitable donation deduction, as the charitable donation deduction requires itemization.
- *Marginal tax rate changes.* Decreases to marginal tax rates may correspondingly reduce charitable donations. For taxpayers still itemizing, lower marginal tax rates result in a decrease to the value of the donation tax incentive.
- *Repeal of Pease limitation.* The temporary repeal (until 2025) of the Pease limitation removes the limit on itemization by high-income taxpayers. This removal may drive more donations for high-income taxpayers who continue to itemize deductions.
- *Increase to Adjusted Gross Income (“AGI”) limitation.* In general, taxpayers may now deduct up to 60% of their AGI (an increase from 50%), with the remainder carried over to the next year.

Impact on Donor Advised Funds (“DAFs”). Contributions into donor advised funds are taken into account in the year they are made but provide flexibility as to future allocation. Therefore, the new tax bill could result in an increase to use of DAFs, with more individuals taking advantage of tax advantageous contributions in a given year, but determining allocations at a future point.

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