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Tax Reform Webinars

Part II: Individual Giving Incentives

July 9, 2014
Introductions

Moderator

Sue Santa, Senior VP for Public Policy and Legal Affairs, Council on Foundations

Guest Speakers

Rhett Butler, Government Liaison, Association of Gospel Rescue Missions

Janice Black, President and CEO, The Foundation for Enhancing Communities

Laurel O’Sullivan, Founder and Principal, The Advocacy Collaborative
The groundwork is being set for comprehensive tax reform, with lawmakers on both sides of the aisle signaling that it’s a priority. But it won’t happen *tomorrow*. 
**Spring 2013** – Senate Finance Committee and House Ways & Means Committee hold hearings and create working groups on tax reform.

**Summer 2013** – Senator Max Baucus and Congressman Dave Camp Tax reform “road show” to generate public support.

**November 2013** – Former Senate Finance Committee Chairman Max Baucus (D-MT) releases tax reform discussion drafts. Senators John Thune (R-SD) Ron Wyden (D-OR) circulate “Dear Colleague” letter in support of the full value of the charitable deduction.

**February 2014** – Senator Ron Wyden (D-OR) becomes new Senate Finance Chairman, emphasizes commitment to tax reform. House Ways & Means Committee Chairman Dave Camp (R-MI-4) introduces comprehensive tax reform plan.

**Spring 2014** – House and Senate take up tax extenders, including the charitable extenders, and consider the extenders a “bridge to tax reform.” Chairman Wyden announces summer tax reform hearings on education tax incentives, taxpayer protection, and corporate taxation.
Chairman Camp’s *Tax Reform Act of 2014*
Overview of the *Tax Reform Act of 2014*

- Mandatory E-Filing of Form 990
- Simplification of Private Foundation Excise Tax
- Donor Advised Fund Mandatory Payout
- Unrelated Business Income Tax (UBIT)
- Repeal of Type II and Type III Supporting Orgs
- Tax on self-dealing
- Excise tax on excess executive compensation
Themes and Motivations

• Tax code simplification and broadening of tax base to allow for lower rates

• Desire to promote economic growth – belief that a strong economy is a better giving incentive than the tax code

• The Chairman believes that Americans donate primarily because they are generous – not because of tax incentives

• Skepticism and misunderstanding of the sector

• Questioning of gift deferral and endowed philanthropy
Charitable Deduction—Current Law

- Only taxpayers who itemize can deduct charitable contributions (about 25% of taxpayers);

- Cash gifts to public charities and private operating foundations can be deducted up to 50% of AGI;

- Cash gifts to private foundations can generally be deducted up to 30% of AGI;

- Capital gain gifts to public charities and private operating foundations can be deducted up to 30% of AGI;

- Taxpayers can deduct fair market value of a property gift;

- Conservation easement contributions can be deducted up to 30% of AGI (50% of AGI in tax years before 2014).
Charitable Deduction—Proposed Changes

• Increase in standard deduction—leaving only 5% of taxpayers as itemizers eligible to take the charitable deduction;

• Charitable contributions could be deducted only to the extent they exceed 2% of AGI (2% AGI “floor”);

• Deadline for charitable contributions extended to April 15\textsuperscript{th} of the calendar year;

• Deduction phase-out starting at $250,000 (single) and $300,000 (married filing jointly).
Charitable Deduction—Proposed Changes

• Deduction for gifts of property limited to adjusted basis of the property;

• Deduction for conservation easement contributions permanently limited to 40% of AGI (100% of AGI for property used in agricultural or livestock production);

• Gifts of cash or capital gains property to public charities both limited to 40%;

• Gifts of cash or capital gains property to other organizations harmonized at 25%;
Charitable Deduction—Proposed Changes

• Repeal of Pease Limitation on itemized deductions.

• Repeal of deduction of 80% of amount paid for right to purchase tickets at college athletic events;

• Repeal of deduction for *income* from intellectual property, but maintains deduction for the gift itself
Implications and Concerns

• Combination of 2% floor with drastic reduction in itemizers could cause a decline in charitable giving;
  ❖ Gene Steuerle of *Urban Institute* predicts a decline of up to $30 billion from all of the changes to the deduction proposed by Chairman Camp

• Switching from fair market value to adjusted basis could limit the value of the deduction for gifts of property;
  ❖ Under existing law, taxpayers are encouraged to donate non-cash gifts like real estate that have appreciated over time because they can deduct these gifts at their present fair market value

• *Urban Institute* predicts extending contribution deadline to April 15th could increase giving by $3 to $6
  ❖ Some organizations that run end-of-year campaigns are concerned about how these would be impacted
Tax Extenders Update

• All extenders expired at the end of 2013. Congress must pass a law to reinstate them in order for taxpayers to take advantage of them for 2014 and beyond.
  – IRA charitable rollover
  – Enhanced deductions for food inventory, conservation easements

• House Ways & Means Committee
  – Would make all charitable tax extenders permanent law

• Senate Finance Committee
  – Would extend all charitable tax extenders for two years

• What’s next?
  – Full House and Senate must vote on each bill
  – Leaders from each chamber negotiate on the two versions – after the November midterm elections
Instead of just responding to policy proposals by opposing the negative ones, the sector needs to proactively put forth ideas for those proposals so they are as strong as possible for philanthropy.
Activate our networks and form coalitions.

Communicate our message.

Educate members of Congress and staff.
Activate, Communicate, Educate

• Connect the dots for policymakers – cascading consequences of tax policy decisions.

• Show – not just tell – how philanthropy is working in communities every day.

• Demonstrate how philanthropy is uniquely positioned to innovate and solve.
Activate, Communicate, Educate

• **Create a steady drum beat** of activity to demonstrate impact.

• **Deploy ambassadors** for your cause:
  - Media relations
  - Online outreach
  - Stakeholder engagement
  - Communications calendar

• Take advantage of easy-to-use **tools and resources**, including:
  - Template op-eds, letters press releases, and more – they work!
  - Issue Papers, FAQs, and talking points
  - Contact information for Members and staff
Form Coalitions and Alliances

#ProtectGiving
The Council’s Tax Policy Role

• Maintaining strong working relationships with Members and congressional staff;

• Providing our members with timely analysis and updates on key policy developments;

• Serving as a strong voice for the sector on tax policy issues;

• Conducting sector-wide research on how tax policy changes will impact our members;

• Working with other organizations and experts to refine our advocacy strategy.
Contact the Council

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To sign up for the Council’s weekly Public Policy and Legal newsletter, Washington Snapshot, email govt@cof.org

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