

Connecticut Nonprofits Fear Tax Bill Could Lead to Decrease In Donations

<http://www.courant.com/politics/hc-pol-connecticut-charities-worry-tax-bill-20171226-story.html>

President Donald Trump has signed into law a \$1.5 trillion tax overhaul package. Trump touted the size of the tax cut, declaring to reporters in the Oval Office before he signed it Friday that "the numbers will speak."

By Russell Blair - Contact Reporter

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Already squeezed by the state's persistent budget woes, nonprofits in Connecticut are bracing for a potential drop-off in donations due to changes in the sweeping tax bill that President **Donald Trump** signed into law last week.

With the doubling of the standard deduction, experts predict far fewer taxpayers will itemize their deductions. As a result, the number of people who can claim a charitable deduction is expected to sharply decline, which in turn may lead to a decrease in charitable giving.

"They've essentially eliminated for 90 percent of filers the ability to make deductions specifically for charitable contributions," said Gian-Carl Casa, president and CEO of the Connecticut Community Nonprofit Alliance. "We know that people who itemize give to charities at about twice the rate of people who don't."

In 2015, Connecticut tax filers claimed \$3.48 billion in total charitable deductions, according to Karla Fortunato, president of the Connecticut Council for Philanthropy. About 34 percent of taxpayers in the state — more than 608,000 filers — claimed charitable deductions, she said.

Fortunato said donations from individuals were about three times what charitable foundations gave.

The tax write-off is not the only reason people make charitable donations, many nonprofit leaders pointed out, but research has shown that it is a factor and can encourage donors to make larger donations than they otherwise would.

Wealthier taxpayers remain more likely to itemize, but the group that will choose to take the standard deduction rather than itemize is expected to include a large number of middle-income earners, a core group of donors for many nonprofits.

“For a long time the **United Way** has been the way that many working people” choose to make a charitable donation, said Richard J. Porth, president and CEO of the United Way of Connecticut. Nationally, the United Way’s average annual donation is \$379, mostly from people who pledge during workplace campaigns to have \$5 to \$10 a week deducted from their paychecks.

Porth said United Way Worldwide estimated its affiliates across the globe would see a reduction in donations of between \$256 million and \$455 million because of the changes made in the tax legislation. A study from the **Indiana University** Lilly Family School of Philanthropy predicted donations to all nonprofits will fall by at least \$13 billion, about 4.5 percent, next year.

Many nonprofits tend to stay out of partisan political debates to avoid alienating potential donors, but Porth said United Way leadership got involved in the tax debate, lobbying lawmakers to create a universal deduction for charitable giving, because “there was way too much at stake.”

“It’s not just the United Way, it’s faith-based groups, social service agencies, disaster relief organizations, lots of people depend on regular working people who have in the past taken that charitable deduction,” Porth said.

Compounding the issue for nonprofits in Connecticut is the fact that those that receive state funding can’t rely on that funding to continue at the same levels because of continuing budget deficits.

Casa, who used to work in Gov. Dannel P. Malloy’s budget office, said the combination of the changes included in the tax legislation, reductions in state assistance to nonprofits and an increase in demand because of cuts to the state’s own social programs present a “perfect storm” for many of the agencies he represents.

“You’re looking at a sector that’s going to have a very difficult time meeting the increased demands being placed on it,” Casa said.

Fortunato, from the Connecticut Council for Philanthropy, said nonprofits are increasingly being asked to provide critical social services like caring for the developmentally disabled or helping the homeless.

Nonprofits “are integral components of our social safety net here in Connecticut,” she said.

Sally Weisman, director of development at the **Hartford** Foundation for Public Giving, said the tax bill “is just one more challenge,” for nonprofits in the state.

Deborah Rothstein, the foundation’s vice president for development, said the Hartford region has “generous donors” who have made contributions consistently through economic ups and downs and she did not expect a major decline in donations. But the foundation would be closely watching the issue and helping smaller nonprofits navigate the change, she said.

At the UConn Foundation, the university’s private, nonprofit fundraising arm, officials were less concerned.

“While tax-deductibility is of value to the donor, it isn't the primary reason people give,” said Joshua R. Newton, the foundation’s president and CEO. “Surveys indicate — and our experience at UConn supports this — that people give to affirm important values and when they think their gift will make a difference. We believe people's interest in supporting UConn's students, faculty and programs is their primary motivation and UConn will continue to attract significant philanthropic investment.”

The tax changes apply to donations made beginning in 2018, so many nonprofits have been alerting donors to make a contribution by the end of the year so they can claim a charitable deduction when they file their taxes in the spring.

Information from The Washington Post is included in this report.