

# Susan Campbell: Despite tax changes, charities keep the faith

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**Susan Campbell** **Contact Reporter**

This year, Essex's Ivoryton village Illumination included 400,000 (give or take) lights, a visit from Santa, holiday carols, a village-wide scavenger hunt, and more than a few revelers.

And there, standing near the historic town library, was a Salvation Army red kettle and a bell ringer.

Fundraising never takes a day off, and with this year's tax cuts, nonprofit organizations may have to go the extra mile. The Tax Cuts and Jobs Act, which mostly took effect in January, has raised the threshold for people who itemize their deductions. As a result of the new law, millions of taxpayers who would have itemized their taxes and claimed a charitable deduction will no longer itemize.

In the name of simplifying tax laws, the Trump administration may have cut off important funding for nonprofits that do the work the government can't — or won't. That's everything from housing the homeless to feeding the hungry to training animals for people who are disabled.

The government originally instituted the tax deduction for charitable contributions in 1917 as a means of keeping nonprofit organizations going during World War I. A charitable organization qualified, according to the statute, if it was "exclusively for

religious, charitable, scientific, or educational purposes, or to societies for the prevention of cruelty to children or animals.”

According to the National Center for Charitable Statistics, there are just over 1.5 million nonprofit organizations in the country. The 2018 Connecticut Giving Report, released in June, said that in 2015, the most recent year for which figures are available, more than 608,000 Connecticut income tax returns reported charitable contributions for a combined amount of \$3.81 billion.

The report also said that 74 percent of Connecticut households donated to charity in 2015. Much of that money was given to support basics needs, but the change in the tax law is projected to reduce charitable giving by 5 percent.

That doesn't sound like much, but according to a report from Indiana University's Lilly Family School of Philanthropy, that 5 percent loss may mean \$174 million less in donations “to fund food banks, homeless or domestic violence shelters, provide child care to low-income families, and help workers secure good jobs,” said Richard Porth, president and CEO of United Way of Connecticut. “These lost dollars may translate directly to reduced services for our communities.”

Karla Fortunato, president of the Connecticut Council for Philanthropy, said her organization expects a drop in support.

“We certainly hope that people in Connecticut will continue to support the nonprofits in the state, but it's very likely that the tax laws will impact nonprofits here too,” said Fortunato. Her organization is collecting data to measure charity trends post tax law.

Maybe it's their nature, but most people who run nonprofit organizations try to remain hopeful. Frances G. Padilla, president of the Universal Health Care Foundation of Connecticut, said her organization hasn't seen a decline in donations yet, and they've been developing a strong donor base.

“Our best-case analysis of the impact of the tax reform law is that people who give in support of shared progressive values are driven by those values first and foremost, rather than the tax advantages,” said Padilla. “We think their buy-in to the mission

and our effectiveness at keeping them engaged will help us retain some — but not all — of our donors over time.”

There is some hope that some corporations that realized a windfall from the new tax law may increase their charitable giving, said Sara Capen Salomons, Journey Home director of development and communications. Early reports said 60 percent of the increased profits were going directly to shareholders, but last month, the outdoor clothing company Patagonia announced that the company would donate \$10 million they expect to receive in tax cuts this year to organizations that work to preserve the environment.

Rose Marcario, the company’s CEO, was quoted saying, “Our home planet needs it more than we do.”

The idea of good corporate citizenship has been around for decades, as has the idea that corporations have some of the same rights as people. Perhaps now we will see which corporations take their citizenship seriously.

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