



A Letter to Members of the Lakeshore Nonprofit Alliance Regarding Tax Reform

By Patrick Cisler

There has been a lot of media coverage regarding the Tax Cuts and Jobs Act (TCJA) Bill that Congress passed recently. Many have speculated that charitable giving will be negatively impacted as a result of this law and the Lakeshore Nonprofit Alliance may have contributed to this hysteria. I believed (and still do) that several elements of the TCJA as it was passed **can** have a harmful effect on nonprofits and, more importantly, on the people that nonprofits serve. **However**, I want to be clear that I do **not** personally believe that the TCJA will have a substantial negative impact on donor giving to nonprofits. Granted, there are several scary estimates out there as to the potential billions that will be lost as a result of the doubling of the standard deduction, the increase in the estate tax exemption, and the lowering of tax rates which leads to lower marginal tax benefits for charitable deductions. In light of these estimates, there are two important things to keep in mind.

First, some of the most popular estimates are not based on the actual bill that was passed, but rather based on previously proposed tax reform bills, and therefore don't provide an accurate picture. Please read the following [article](#) written by our very own Mike Goorhouse of the Community Foundation of the Holland/Zeeland Area to better understand the differences between the study that has been heavily referenced and what was included in the actual TCJA. Second, these estimates are made based on Americans being predominantly motivated to give to charity based on tax incentives, rather than the multitude of other documented reasons people give. I would like to share some words and thoughts of encouragement why we should be hopeful for future donor giving under the new Tax Bill.

People give for a whole host of reasons. Some of them include: having an emotional connection to a nonprofit's mission, being impacted directly by a nonprofits' work, giving out of religious duty, wanting to make a difference in their community, desiring to leave a legacy, wanting to fit in, and, what I have most often heard, "because someone I know asked me to give." Personally, I don't believe that the reduction in the tax-incentive for some will outweigh these many reasons people choose to give charitably. In addition, studies have shown that people largely give to nonprofits when they have (or feel that they have) more discretionary income. Regardless of how you feel about the TCJA, one of the primary goals of this legislation was to put more money into the hands of Americans and Corporations by lowering tax rates. And, more money usually leads to more giving. Perhaps the biggest tax break given in the TCJA was to corporations as they saw their tax rate drop from 35% on the high end of the spectrum to 20%. What they do with their additional profits is up to them, but they will certainly be in a better position to increase their philanthropy. And finally, while some changes to tax law could

incentivize some individuals to give less, there were other changes that could incentivize others to give more, particularly higher income earners. Two of these changes include the removal of the Pease Amendment and the increase of allowable charitable deductions up to 60% of Adjusted Gross Income (AGI).

In light of these facts I hope that our nonprofit members and partners feel more encouraged about how giving might be impacted by tax reform. In addition, I would strongly recommend that **regardless** of how you feel that the impact on giving will play out as result, **we all should carry a positive message** about giving to our staffs, boards, and donors. I worry that if enough donors hear the message “giving will go down because of tax reform,” that it will become a self-fulfilling prophecy. Once told something enough times, people often begin to believe it and we don’t want donors thinking that they should give less in the years to come simply because of tax reform. **Instead**, if donors, board members, or staff ask any of us about the potential impact of tax reform on giving, we can honestly respond that we expect that this will be a great year for fundraising and with all the additional money in the hands of Americans and Corporations, we have an opportunity to capture even more donations!

This message isn’t meant to ignore the battles still ahead as a result of the TCJA, including potential future cuts to government spending. These cuts, if enacted, could put even greater pressure on nonprofits to meet the needs of their community, while simultaneously giving them fewer financial resources to do that. The Lakeshore Nonprofit Alliance will continue to be an advocate on such matters and engage member nonprofits in advocacy efforts as well. While challenges lie ahead, we don’t believe they will be in the area of donor giving, and hope that our nonprofit partners will take that message to heart.

Thank you for all that you do!

A handwritten signature in black ink that reads "Patrick Cisler". The signature is written in a cursive, flowing style.

Patrick Cisler
Executive Director, Lakeshore Nonprofit Alliance