



## **In Our Giving, Do We Support the Alma Mater or Seek a Tax Benefit?**

Over the holidays, I had the opportunity to discuss the state of “philanthropy” with senior administrators of local charities. Our conversations focused on the impact of the new 2017 Tax Cut and Jobs Act passed in Congress with most of its provisions going into effect tax year 2018. The Act represents the largest change to U.S. tax policy in decades and has implications for organizations like the Central State University Foundation:

**Increase in the Standard Deduction:** The bill nearly doubles the standard deduction for individuals and married couples filing jointly. The increase would be from \$6,350 to \$12,000 for individuals and from \$12,700 to \$24,000 for married couples.

Each year taxpayers must decide whether to take a standard deduction or to itemize their deductions. Most of us choose whichever is higher and offers the better tax break. While an increase in the standard deduction benefits all taxpayers, churches, community groups, and college foundations might see a noticeable percentage drop in contributions because their donors have less of an incentive to itemize thus losing the tax incentive to give.

**Excise Tax on Endowments of Non-Profit Colleges and Universities:** The bill includes a new excise tax of 1.4% on the net investment incomes of applicable educational foundations.

My reading of this provision suggests that the CSUF is not currently “an applicable educational foundation.” The concern here is the provision sets an unhealthy precedent for the future one where politicians using tax law increasingly tell the foundation sector how they should spend their philanthropic assets. The CSUF’s endowment, while small, continues to grow, and an excise tax of 1.4% would undermine our efforts to bring financial stability to the University.

**Tickets to College Events:** The bill repeals the current law that allows a donor who makes a contribution to a college and receives priority seating at an event to take a charitable contribution of 80% of the amount donated.

The new tax law treats the value of receiving priority seating at events as equivalent to the contribution made and therefore no charitable contribution deduction is allowed. The effect on the Foundation’s most successful fundraising strategy, donations for celebrity events, is yet to be determined.

What has been determined is the Central State University Foundation will focus on articulating its mission to alumni and friends. Our message is that it remains the perfect vehicle for donors through its fundraising, management, and investing of philanthropic dollars. Giving to the Foundation supports the Alma Mater.

**Dr. Veronica Watkins**