

Fund-raising strategies for NPOs

One of the most prominent provisions of the Tax Cuts and Jobs Act (TCJA) signed into law by President Trump late last year, was the dramatic increase in the standard deduction. In fact, the standard deduction almost doubled as a result of the new tax law, going from \$6,350 to \$12,000 for individuals and married couples filing separately, from \$12,700 to \$24,000 for married couples filing jointly, and from \$9,350 to \$18,000 for taxpayers who file as head of household. As a result of this change, it is estimated that 85% of taxpayers will no longer itemize their deductions.

This change in tax law has a potential negative impact on charitable giving. The thought here is that, due to the increase in the standard deduction, donors may not be as charitable if the tax benefit is no longer present. This provides an opportunity for every NPO to educate its donors in order to help them maximize the tax benefit of their gifts. A tax strategy that will become more and more popular as taxpayers begin to navigate through the weeds of the new law is called *“bunching”*.

“Bunching” is simply a strategy where taxpayers will make the payments of two years’ worth of tax-deductible items in one year when it is allowed so that they might itemize their deductions in that year and take the standard deduction in the next year. Charitable contributions are a nice fit for *“bunching”* because they are entirely payable at the taxpayer’s discretion. For example, if your NPO has a typical donor that makes normal contributions during the year, they could then prepay the entire subsequent year’s donation in a lump sum in December of the current year, thereby doubling up on the charitable contribution one year and having no deduction for charity in the next year. Obviously, the goal is to *“bunch”* enough deductions in year one so that the donor might itemize their deductions and then they would simply take the standard deduction in year two.

We are recommending that our NPO clients send an email blast or letter to their donors informing them of this simple tax strategy and asking them to consult their tax advisors. We are hopeful it will prove to be beneficial to both the NPO and the donor.