

# THE CARTER CENTER



## **The Carter Center Presents:**

*A Discussion on the Initiative to Accelerate Charitable Giving*

*With Guest: Ray Madoff, Professor of Law, Boston College*

Hosted By: Barry Nickelsberg, CAP, Chief Development Officer for Estate & Gift Planning

&

Mark N. Williams, Esq., CAP, Senior Associate Director

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# Ray D. Madoff

- Professor-Boston College Law School
- Co-founder of Boston College's Forum on Philanthropy and the Public Good
- Lead author of the *Practical Guide to Estate Planning*
- Frequent contributor to Opinion Pages of New York Times, Washington Post, Wall Street Journal and other publications.
- Guest on *Talk of the Nation, All Things Considered* and *Marketplace*



# A Need Recognized

What inspired the Initiative to Accelerate Charitable Giving?

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# Charities are Central to Our Well-Being

- Educational Institutions
- Hospitals
- Churches and other Religious Institutions
- Human rights organizations
- Food banks and other Social Service Organizations
- Research Institutions
- Museums, Symphonies and other Arts Organizations
- Environmental Groups
- Among many others



# Tax Benefits to Encourage Charitable Donations

Charitable deduction for income taxes

No capital gains on contributions of appreciated property

No estate or gift taxes on charitable donations

No taxation of income of charitable organizations





# Problems with Current Tax Incentives Disconnect between Tax and Public Benefits

**Tax incentives available for too few Americans**

**Rules provide no assurance that funds that get tax benefits will ever make their way to charities**

**Together, this spells trouble for American charities and all they serve!**



# Initiative to Accelerate Charitable Giving

The Initiative to Accelerate Charitable Giving is a broad coalition dedicated to promoting common-sense, non-partisan charitable giving reforms that increase and accelerate resources to working charities and make the philanthropic sector more effective.

The work of the Initiative is to:

**Expand tax benefits to all Americans**

**Ensure that tax benefitted dollars make their way to charities**



# Problem #1- Charitable Benefits Available for too Few Americans

Charitable deduction only available for people who don't claim the standard deduction (called itemizers);

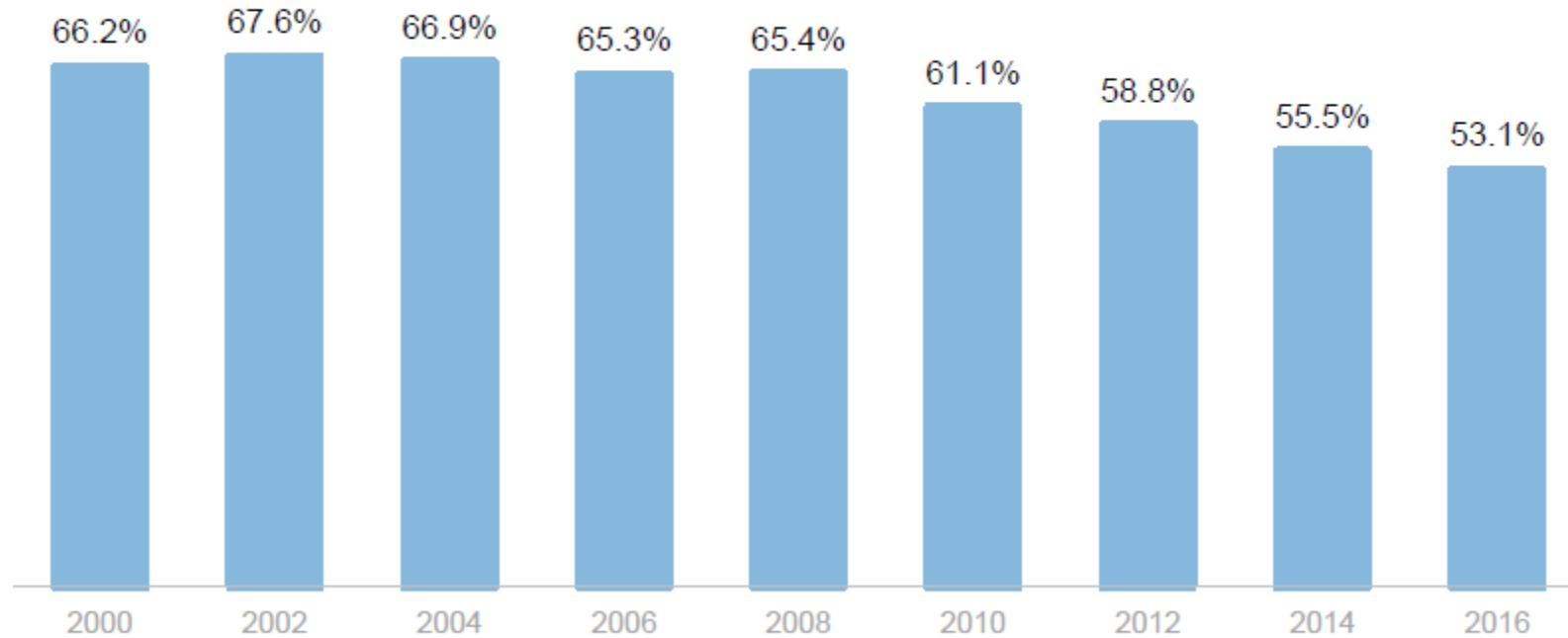
In 2017 standard deduction doubled, so charitable deduction only available today to those who have deductions that are worth more than \$12,400 (or \$24,800 for couples)=less than 10% of Americans

A temporary rule allows non-itemizers to deduct \$300 in charitable giving for 2020 and 2021. This is unlikely to bring more money to charities.



## Percent of U.S. Households Giving to Charity (2000-2016)

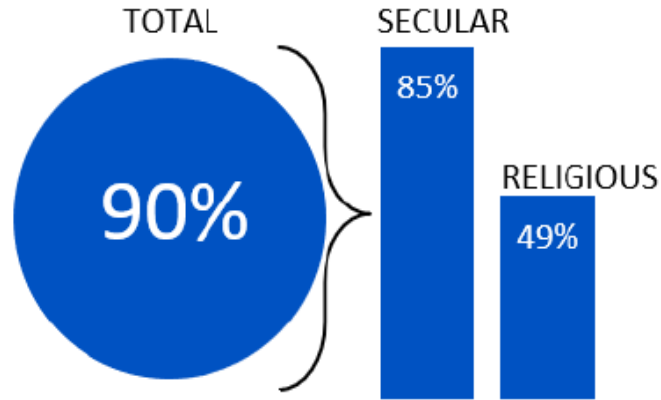
University of Michigan Panel Study of Income Dynamics



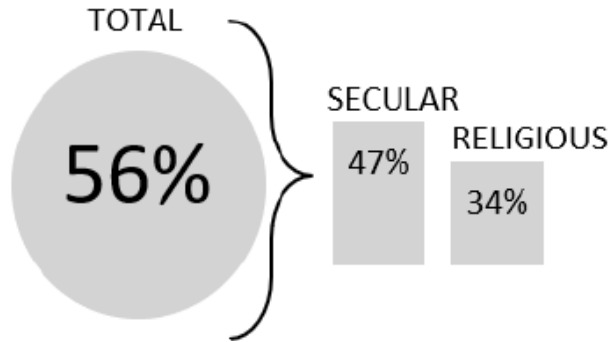
Source: Chelsea Clark and Xiao Han, "Changes to the Giving Landscape: Giving before and after the Great Recession," Lilly Family School of Philanthropy, October 24, 2019.



## PERCENT OF HOUSEHOLDS GIVING TO CHARITY AMONG HIGH NET WORTH HOUSEHOLDS

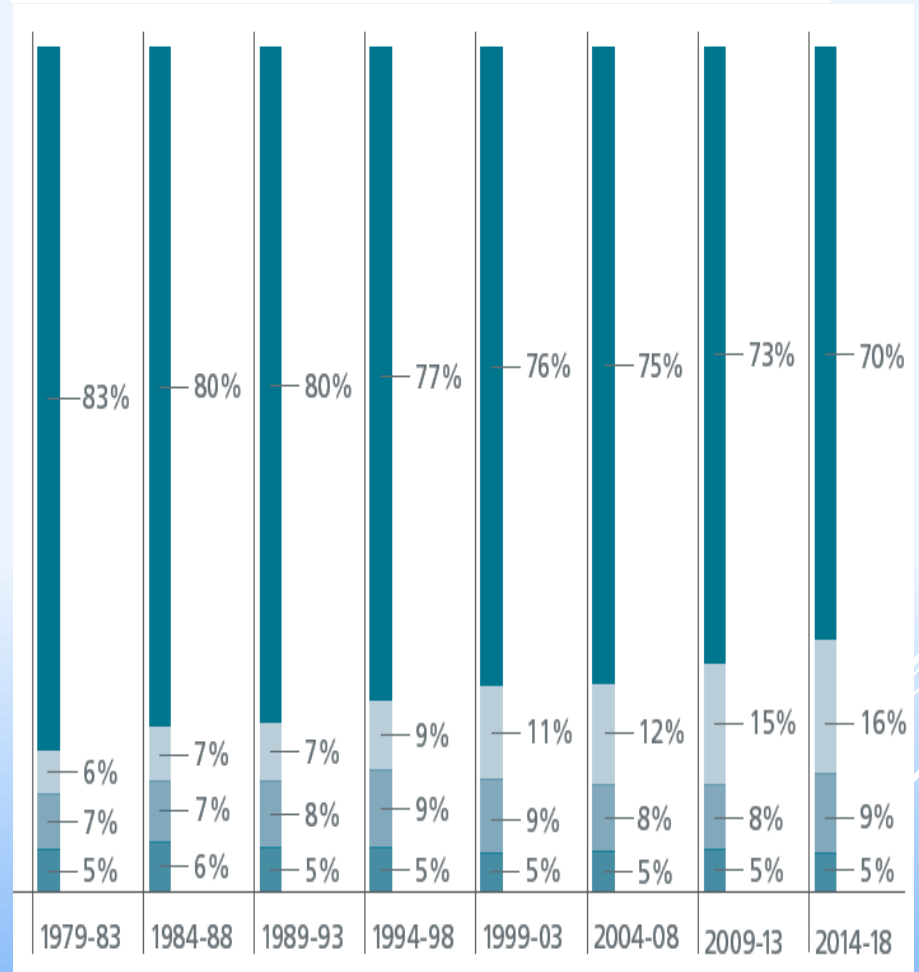


## AMONG GENERAL U.S. HOUSEHOLDS\*



\*Source: Indiana University Lilly Family School of Philanthropy, 2015 Philanthropy Panel Study on giving in 2014, the latest year data is available on average giving by American households.

## Giving by source: percentage of the total in five-year spans, 1979-2018 (in billions of inflation-adjusted dollars, 2018=\$100)



■ Individuals  
■ Foundations  
■ Bequests  
■ Corporations

Giving USA, 2019



# Initiative Proposal

Make charitable deduction available for all Americans, even those who claim the standard deduction.

Rather than imposing a \$300 cap (which does little to encourage charitable giving since many already donate that amount), impose a floor that grants a charitable deduction for all donations in excess of a certain amount.



Problem #2- Generous tax benefits for wealthiest Americans (worth up to 74% of contribution); but no assurance that these funds will make their way to charities



# Taxes Saved for \$10 million Property Donation

Income tax deduction- can save up to 37% (\$3.7 million)

Capital Gains tax savings- can save up to 20% (\$2 million)

Estate and Gift Tax Savings (40% of net amount) can save up to \$1.7 million.

**TOTAL SAVING= \$7.4 million tax savings on contribution of \$10 million.**





Increasingly funds are not going directly  
to charities, but instead are going to  
intermediary entities:

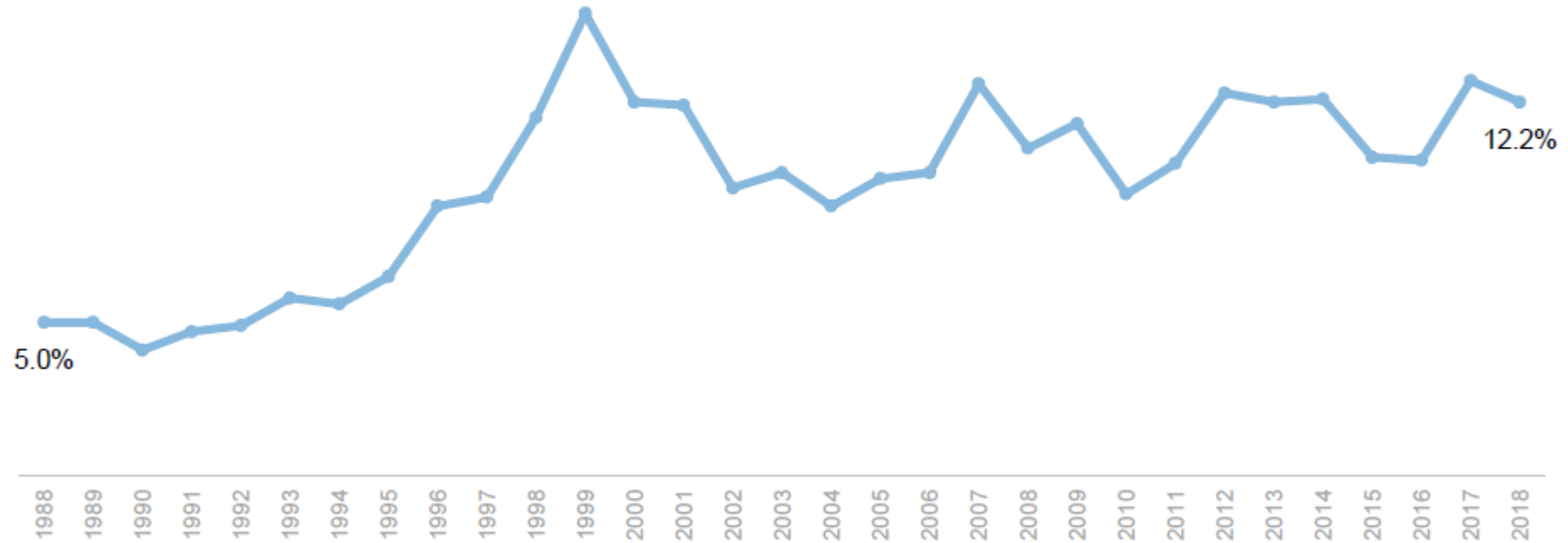
Private Foundations

Donor Advised Funds



## Percent of Total U.S. Giving Going to Foundations (1988-2018)

The Chronicle of Philanthropy

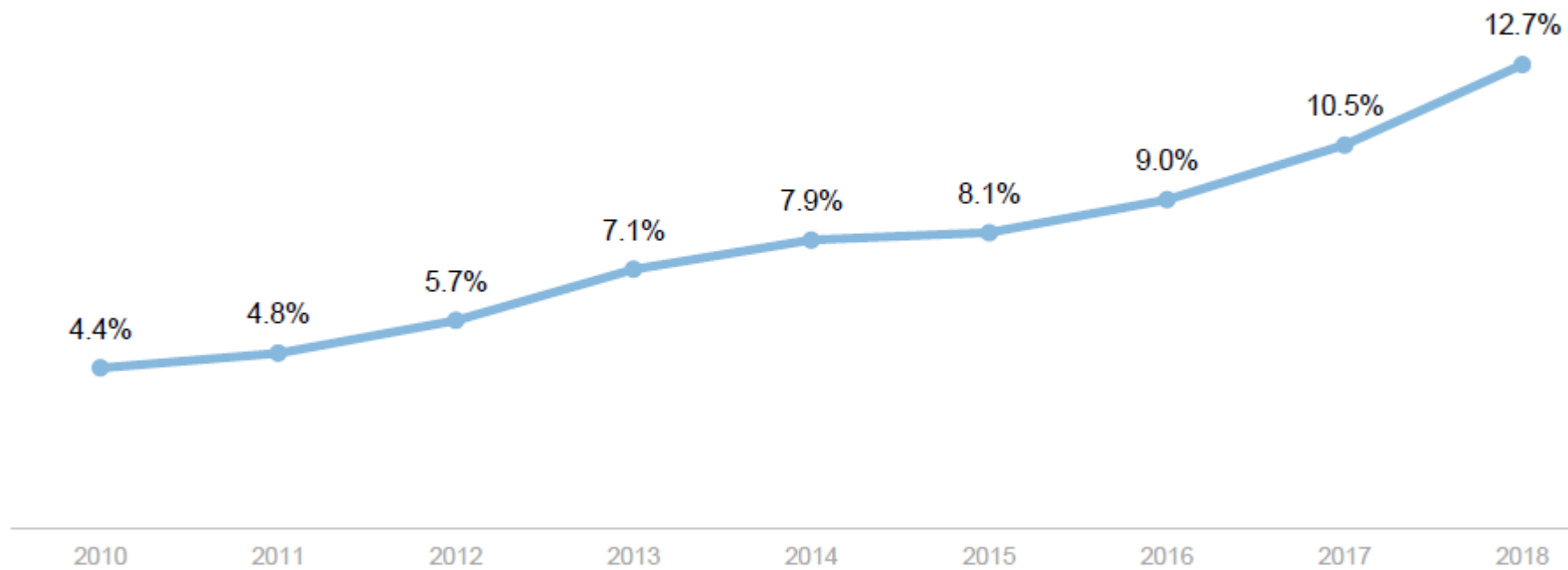


Source: Emily Haynes and Michael Theis, "Gifts to Charity Dropped 1.7 Percent Last Year, Says 'Giving USA,'" *The Chronicle of Philanthropy*, June 18, 2019.



## Percent of U.S. Individual Giving Going to Donor-Advised Funds (2010-2018)

National Philanthropic Trust



Source: National Philanthropic Trust, *2019 Donor-Advised Fund Report*, 2019.



# Private Foundations

**\$1 TRILLION**



# Donor-Advised Funds

**\$120 BILLION**



# Problem:

There are no assurances that funds in private foundations or DAFs will ever make their way to charity



# Concerns with Private Foundations

Subject to a 5% Payout Rule; but “Payout” can be met by:

- Paying salaries and travel expenses to family members
- Making distributions to DAFs, which have no further payout



# Initiative Proposal

To close loopholes around private foundation payout:

- Payout cannot be met by payments to family members for salaries and travel expenses
- Payout cannot be met by distributions to DAFs





# Initiative Proposal

To Encourage Higher Payout from Private Foundations:

- No excise tax if distributions are 7% or more
- No excise tax if private foundation has 25-year term



# Concerns with Donor-Advised Funds

Donor Advised Funds provide the same tax benefits as outright gifts to charity, but provide **NO** incentives or requirements for funds to be distributed to charity.



## What is a Donor Advised Fund (DAF)?

An informal agreement in which a public charity, called a sponsoring organization, agrees to hold charitable donations in a separate account and await advice from the donor about the management and distribution of the funds.

Sponsoring organizations can be a traditional charity, (like a community foundation or university), but most Money held in “charities” created by financial institutions like Fidelity, Schwab and Vanguard.

## National Charities

This report analyzes donor-advised fund data from 54 National Charities. These national charitable sponsors had a combined 593,356 donor-advised fund accounts with total charitable assets of \$72.35 billion in 2018.

The compound annual growth rate is included for each metric. This measurement calculates a constant rate of return over time (in this case four years) and mitigates volatility. This measurement has been included to provide additional context and a point of comparison for the historical growth at National Charities that offer donor-advised funds.

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**54** NATIONAL CHARITIES

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**593,356** NUMBER OF DAF ACCOUNTS

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**\$72.35** CHARITABLE ASSETS (*billions*)

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## Community Foundations

This report analyzes donor-advised fund data from 603 Community Foundations, which have 77,234 donor-advised fund accounts with charitable assets totaling \$33.87 billion.

The compound annual growth rate is included for each metric. This measurement calculates a constant rate of return over time (in this case four years) and mitigates volatility. This measurement has been included to provide additional context and a point of comparison for the historical growth of donor-advised funds at Community Foundations.

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**603** COMMUNITY FOUNDATIONS

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**77,234** NUMBER OF DAF ACCOUNTS

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**\$33.87** CHARITABLE ASSETS (*billions*)

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## Single-Issue Charities

This report analyzes data for 332 Single-Issue Charity sponsors. This type of charitable sponsor held 57,973 donor-advised fund accounts with charitable assets totaling \$15.19 billion.

The compound annual growth rate is included for each metric. This measurement calculates a constant rate of return over time (in this case four years) and mitigates volatility. This measurement has been included to provide additional context and a point of comparison for the historical growth of donor-advised funds at Single-Issue Charities.

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**332** SINGLE-ISSUE CHARITIES

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**57,973** NUMBER OF DAF ACCOUNTS

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**\$15.19** CHARITABLE ASSETS (*billions*)

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# Initiative Proposal

To ensure that Donor Advised Fund funds will benefit the public:

- Require DAF funds to be distributed by the end of 15 years
- For those who want longer, provide capital gains and estate and gift tax savings upon contribution, but delay income tax deduction until time of charitable distribution.



Thank You!  
Questions?



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