



## Testimony for the Record on Behalf of the Minnesota Council on Foundations

Submitted to the United States House of Representatives Ways and Means Committee Hearing on the  
“2017 Tax Law and Who It Left Behind”

*April 4, 2019*

We appreciate the opportunity to provide written testimony to the Ways and Means Committee on the impact of the 2017 tax law. Our written testimony will be focused on the impact of the tax law on philanthropy and charitable giving.

### **Diminished Tax Incentive for Charitable Giving**

With the large increase in the standard deduction, fewer taxpayers are itemizing. Since the charitable giving tax deduction is only available to itemizers, a consequence of this change is that far fewer households are receiving a tax incentive to give to charity. While we know people give for a variety of reasons besides taxes, we’re already seeing some concerning changes in 2018 giving patterns, and we encourage Congress to revisit how charitable giving is incentivized.

Even before the 2017 tax change, fewer Americans were making charitable donations. [Indiana University’s Lilly Family School of Philanthropy](#) has found that the percentage of Americans who give has fallen by 11 percent over the past 14 years—from 67 percent in 2002 to just 56 percent in 2014. The doubling of the standard deduction in the Tax Cuts and Jobs Act will likely accelerate this trend.

The Fundraising Effectiveness Project found that the total number of donors dropped by 4.5% between 2017 and 2018. The [FEP study](#) also found that while total giving from gifts of \$1,000 or more increased by 2.6% in 2018, gifts in the \$250 - \$999 range dropped by 4.0%, while gifts of under \$250 dropped by 4.4%. Additionally, [Blackbaud’s 2018 Report on Charitable Giving](#) found while GDP in 2018 grew by 3 percent—charitable giving grew by just 1.5 percent. And an [American Enterprise Institute](#) report projects that the TCJA will reduce charitable giving by individuals by \$17.2 billion (6 percent) in 2018, primarily due to the doubling of the standard deduction.

As a sector, we would like to see a universal charitable deduction or universal tax credit that incentivizes all taxpayers – regardless of income – to give. We encourage the House Ways and Means Committee to explore how best to encourage charitable giving and to expand the charitable giving incentive to everyone.

### **New and Burdensome UBIT Taxes & Requirements on Nonprofits, Foundations, and Places of Worship**

Tax reform included a new 21% federal tax on nonprofit employee transportation and parking fringe benefits. Not only do nonprofits, foundations, and places of worship now have to pay a hefty tax on these benefits, but they must put a value on the benefit offerings as well, which can be difficult when there is no clearly defined valuation method. Administratively, the new tax is excessively burdensome. This new requirement forces many tax-exempt employers, including churches and other places of worship, to file federal Form 990-T for the first time, irrespective of their engagement in unrelated business activity. A [study commissioned by Independent Sector](#) reveals that nonprofits estimate that they will see an average of nearly \$12,000 diverted from their mission in order to meet this increased tax and administrative burden.

The 2017 tax law also requires nonprofits with more than one unrelated business or trade to compute unrelated business taxable income separately for each trade or business. The requirement to calculate unrelated income streams separately is estimated to cost affected nonprofits an [average of \\$15,000 per year](#), per the same Independent Sector study. This provision diverts money from the nonprofits intended charitable purpose. As a sector, we ask Congress to quickly repeal both of these UBIT provisions and to consider including these items in the tax extenders bill.

The Minnesota Council on Foundations looks forward to working with you to achieve a strong and vibrant independent sector through tax policy that promotes philanthropy and charitable giving.