

SENATE FINANCE COMMITTEE: TESTIMONY on H.911

CURRENTLY

Taxpayers who do not itemize ALREADY give.

Prior to Tax Reform, 70% of Americans filed an IRS short form for their tax return, meaning they did not exceed the standard deduction and thus received no tax benefit for their charitable giving.

Major donor gifts are the MOST EFFICIENT form of fundraising for nonprofits.

- Half of individual donor revenue is from major donors giving \$1,000 or more.
- Small gifts are a far less efficient form of fundraising:
 - Major gifts: 15 cents to raise \$1.00
 - Grant writing: 20 cents to raise \$1.00
 - Special events: 50+ cents to raise \$1.00
 - Direct mail donor acquisition: \$1.00 - \$1.25 to raise \$1.00

PROJECTED IMPACT OF THE TAX CUTS & JOBS ACT

TCJA will reduce the marginal tax benefit of giving by more than 25% – decreasing giving by \$12 - 20 billion:

1. Lowers individual income tax rates, thus reducing the value of all tax deductions.
2. Caps the state and local tax deduction at \$10,000.
3. Increases the standard deduction to \$12,000 for singles and \$24,000 for couples.
4. Doubles the estate tax exemption to \$22 million for couples, which is estimated to lower charitable giving by \$4 billion annually.

RECOMMENDATION

I ask the Senate Finance Committee to not join Congress in reducing the incentive for Vermonters to *start family foundations, donate to a donor advised fund, or make the major gifts* that nonprofits need to serve our state. A \$2.50 tax credit will not incentivize more \$50 gifts, and nonprofits need more than \$50 checks to accomplish the work for which we depend on them. Passing H.911 will greatly increase the cost of fundraising, reduce total charitable giving, and further strain nonprofit budgets that are already facing state and federal cuts.

SOURCES:

1. Forbes: <https://www.forbes.com/sites/beltway/2018/01/11/21-million-taxpayers-will-stop-taking-charitable-deductions-under-the-new-tax-law/#2e500347238f>
2. National Council of Nonprofits: Analysis of impact of Tax Reform <https://www.councilofnonprofits.org/sites/default/files/documents/tax-bill-summary-chart.pdf>
3. Thirdspace Studio: 2016 Individual Donor Project. <https://static1.squarespace.com/static/5851f069d2b857d7fdf17318/t/595a399046c3c49a0515d7e4/1499085205969/2016+Data+Brief.pdf>
4. Network for Good. <https://www.networkforgood.com/nonprofitblog/major-gift-fundraising-small-shop/>
5. Nonprofit Fundraising ROI: <https://www.solutionlinkims.com/blog/nonprofit-fundraising-roi-whats-a-reasonable-cost-to-raise-a-dollar>

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