

Charitable Giving: Tax Treatment and Statistics

Administration, H. 911 Income Tax Reform Proposals Comparison:

Provision	Admin.	H. 911	Notes
Start with AGI	same		<u>Already current law</u> for 2018 (Act 73 of 2017)
VT Standard Deduction:	same		Single: \$6,000 HoH: \$9,000 MfJ: \$12,000
VT Personal Exemptions	\$4,000	\$4,150	Normalizes for family size
Earned Income Tax Credit (EITC)	same		Both plans increase EITC from 32% to 35% of federal amount. Normalizes for lower income wage earners
Social Security Exemption	33% (year 1)	100% (full)	Admin pays for year 1 of SS exemption elsewhere in budget, H. 911 pays for it within income tax reform
Lower Marginal Rates	.2% each	.2% each, collapse top two	Admin. top marginal rate is 8.75% starting at \$424,950 H. 911 top marginal is 8.6% starting at \$237,950 for married filing jointly
Charitable Contributions Credit at 5%	No cap	\$10K cap	Normalizes those who itemize deductions. Helps charities and non-profits

Charitable Contributions in 2017:

 Federal	 Vermont
Taxpayers who itemize can deduct their charitable contributions from their federal taxable income.	Taxpayers who itemize at the federal level can deduct their charitable contributions from their Vermont taxable income. All other itemized deductions (except medical expenses) are either limited or not deductible. 32 V.S.A. § 5811(21)

Charitable Contributions in 2018:

 Federal	 Vermont	
Same as 2017, but the percentage of filers who itemize will decrease from about 30% to about 10% because the standard deduction has doubled. The limit on cash donations has increased from 50% of AGI to 60% of AGI.	<u>Original Admin. Proposal</u>	<u>H. 911</u>
	<ul style="list-style-type: none"> ✓ Deduction turned to non-refundable credit ✓ Available to all filers, including non-itemizers ✓ Credit worth 5% of contributions • All tax deductible contributions are eligible for the credit 	<ul style="list-style-type: none"> ✓ Deduction turned to non-refundable credit ✓ Available to all filers, including non-itemizers ✓ Credit worth 5% of contributions ○ Credit limited to first \$10,000 of tax deductible contributions (a \$500 value)

Vermont Tax Impacts of limiting charitable giving credit to first \$10,000 of giving:

- Does not make VT income taxes noticeably more progressive, just creates more variance at the top vs. Pre-TCJA

Example: \$600K income, no charitable	Example: \$600K income, \$50K charitable
Pre-TCJA tax: \$45,100 H. 911 tax: \$43,800 Admin. tax: \$44,100	Pre-TCJA tax: \$41,800 H. 911 tax: \$43,300 Admin. tax: \$41,600
<i>Tax liabilities are computed based on four brackets with 8.6% top marginal rate for H.911, and five brackets with 8.75% top marginal rate for H. 911. \$600,000 Income figure is before any applicable standard deduction amount and personal exemption amounts. Example filers are assumed to be married filing jointly, no dependents.</i>	

- Almost \$360M (out of about \$500M total) of charitable contributions by Vermont residents would be disincentivized by H.911's \$10,000 cap provision

AGI Bracket	Count	Average Giving	Total Giving Over \$10,000
Under \$100,000	934	\$ 15,849	5,500,000
\$100,001 to \$500,000	2,666	\$ 124,212	40,300,000
\$500,001 to \$1,000,000	348	\$ 254,983	14,400,000
Over \$1,000,000	253	\$ 1,183,525	296,900,000
Grand Total	4,201	\$ 94,982	357,000,000

- Only 38% of Vermont residents who make more than \$10,000 in charitable contributions are currently at the federal maximum percentage of their AGI and might therefore benefit from the increased limit under the TCJA.

AGI Bracket	Count	Gifted the Maximum	Percent at Maximum
Under \$100,000	934	601	64%
\$100,001 to \$500,000	2,666	876	33%
\$500,001 to \$1,000,000	348	66	19%
Over \$1,000,000	253	58	23%
Grand Total	4,201	1,601	38%