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The Nonprofit Association of Oregon
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Is Your Mission in Jeopardy?

How you can build and fortify your donor base

By: By Ted Grigsby, CIMA®, Director of Nonprofit & Philanthropy, Human Investing

With the recent Tax Cuts and Jobs Act of 2017 – which became effective January 1, 2018 – there's concern that the increase in standard deduction will dis-incentivize donors who will no longer receive a tax deduction for their charitable giving. This could pose a challenge to nonprofits who rely on consistent donor funding – and it's not to be discounted. However, while it's true that a charitable tax deduction is an incentive, it's not the only reason people give. Oregonians in particular love their nonprofits. They care deeply about communities, they care about causes and they give in increasing numbers. We're encouraging nonprofits to plan, be proactive and make sure donors know the impact of their investments. Importantly, this could be an opportune time to modify your fundraising perspective and consider new ways to energize your donor base.

Qualified Charitable Distributions from an Individual Retirement Account

One consideration is to inform your donors who are 70.5 years or older that they are eligible to make charitable contributions from their tax deferred Individual Retirement Accounts. Retirement account holders may distribute up to $100,000 per year, including their Required Minimum Distribution, directly to a nonprofit and avoid taxes on the distribution. These distributions avoid ordinary income tax but also reduce the potential income tax liability on Social Security and may lower Medicare premiums.

Donor Advised Funds

Another opportunity exists for nonprofits to further understand Donor Advised Funds and inform their donor base about the benefits. A DAF is a vehicle where a donor can make a charitable contribution, immediately receive eligible tax deductions and then distribute donations to one or multiple nonprofits of their choice in any time frame. The contributions can be invested and any potential growth is tax-free. Additionally, donors may contribute both cash and non-cash gifts to a DAF.

With the standard deduction now doubled, donors may find that itemizing doesn't make sense in 2018 and beyond. One tax-planning strategy called "bunching" can help donors maintain their charitable deductions. They may contribute multiple years of charitable giving in one year to surpass the itemization threshold, and in off-years take the standard deduction. Please see the example on the next page. A DAF can operate as a central location to receive, invest and distribute the contributions.

PRE-TAX REFORM STRATEGY

	Year 1	Year 2	Year 3	Year 4
Donation	$10,000	$10,000	$10,000	$10,000
Deduction	Itemize	Itemize	Itemize	Itemize

POST-TAX REFORM STRATEGY

	Year 1	Year 2	Year 3	Year 4
Donation	$20,000	$0	$20,000	$0
Deduction	Itemize	Standard	Itemize	Standard

Accept Non-Cash Gifts
Finally, nonprofits should consider providing a method for non-cash donations such as stocks, real estate or other assets. This can be particularly advantageous when the donation is an appreciated asset that has been owned for one-year or longer. In this case, the donor is able to receive a tax deduction for the entire value of the asset while avoiding long-term capital gains from the sale of the asset.

If these types of donations cannot be supported by the nonprofit, a DAF will likely handle the transition and sale of the asset and then the contributions to the donor's nonprofit of choice.

This is an opportune time to seek out donors who may be looking for creative tax-planning strategies. While this information may be helpful, please consult your CPA for specifics about how these tax strategies will affect your nonprofit organization and donor base.

Human Investing is a certified B-Corporation, a member of NAO and an Oregon-based financial firm serving the needs of both nonprofit organizations and individual donors. If you would like to learn more, please feel free to contact our team.

About the author:

Ted Grigsby is the Director of Human Investing's Nonprofit & Philanthropy practice. He has 17 years of experience in the investment industry, holds his CIMA® credential and is a Master of Science in Finance candidate at the University of Portland. Ted has a passion for serving the nonprofit community and helping his clients achieve their financial goals in a way that aligns with their missions and values.

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