Impact of the Elections on Charitable Giving
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Perhaps because whenever I deliver a session on IRS rules and regulations I include commentary on the state of the charitable deduction, I have been asked many times since November 8th, "What do you think now?" Well, it is a good question to ask, but I am probably not the best person to answer. While I may be opinionated (that might come as a shock to you!), there clearly are better-versed professional experts in this area.

But, as I have been asked for my opinion so many times over the past week, I have spent some time pondering. Quite honestly, I think it is way too early to make a prediction. But a number of thoughts have come to mind.

In the title of this missive, I intentionally used "elections" in the plural form. I think it is important that we look at the entirety of the political landscape - not simply the results of an election for one office. And I do believe that we can learn from history. Not that history might, or even could, repeat itself, but that it can inform us to some extent.

So, when was the last time the Republican Party held the White House, the House and the Senate? Contrary to some reports, it was not after the 1928 elections - the year before we fell into the Great Depression. It actually wasn't that long ago - just a decade or so - during the George W. Bush administration (2003-2007), with the greatest numbers of Republicans serving during 2005-2007.

Why is this relevant? It was that same 10 years ago that the Pension Protection Act of 2006 was enacted with substantive changes that affected charitable giving. While we can thank PPA 2006 for inventing the IRA Rollover, do remember that this was not a new charitable deduction but, rather, offering a tax-free withdrawal available only to individuals 70.5 years or older. PPA 2006, however, did impact charitable deductions of property gifts, reducing the allowable deduction to cost-basis for unrelated use gifts. There were a few other "limiting" provisions including the "recapture rule," and several impacts on contributions of life insurance.

It should come as no surprise that tax changes are likely. According to the Wall Street Journal, we saw new tax legislation passed during the first terms of Reagan, Clinton, George W. Bush and Obama. But tax "changes" do not necessarily mean changes to charitable deductions. Or do they this time?

President-elect Trump favors an increase in the standard deduction, and a cap on Schedule A deductions. The net affect will be fewer itemizers for the lower income filers - meaning a charitable deduction isn't relevant, and little tax-incentive for giving more for those in higher tax brackets.

Speaker Paul Ryan wants to eliminate all deductions EXCEPT for mortgage interest and charitable deductions, while House Ways & Means Chair Dave Camp wants to restrict charitable deductions to only those that exceed 2% of AGI.

Given the persuasions of current/new political leadership, I do think it is likely that we will see some tax legislation that will serve as an inhibitor for charitable donations to be used as a way to reduce an individual's tax burden. However, if there is any good news, I have heard little of the "urgent" talk about completely eliminating the charitable deduction that was fairly common after the 2010/2 elections.

All this is a long way of saying that change is in the wind, and it is difficult to tell which way the wind will blow. But I personally do not believe that the sky is, or will be, falling.