

Philanthropy in 2013: Partly Sunny with Scattered Clouds

“Prediction is very difficult, especially when it’s about the future.” – Niels Bohr, Danish physicist and Nobel laureate

By most measures, 2012 was a good year for philanthropy. We saw mega-giving return to pre-recession levels, as reported in *The Chronicle of Philanthropy*, in early January: the 15 largest gifts amounted to nearly \$5.1 billion. While predictions are a dangerous business, it’s important to note that, according to the 2012 Bank of America Study of High Net Worth Philanthropy, 76 percent of wealthy donors plan to give as much or more during the next three to five years. Let’s take a look at how the markets, the tax code, and the fundraising landscape might affect giving in the year ahead.

The Markets

Most economists are predicting “more of the same” for the year ahead: slow economic growth in the US paired with economic and political uncertainty overseas. For philanthropy, the forecast is similar: very modest growth in giving overall. Keeping an eye on the S&P 500 is a helpful way to gauge philanthropic activity as the year progresses; the Giving USA annual reports consistently show that giving levels track to the market.

The Tax Code

The American Taxpayer Relief Act of 2012 did little to upset the philanthropy apple cart. In fact, it includes several provisions that could stimulate giving:

- It extended the IRA charitable rollover provision, which allows IRA owners age 70 ½ and older to make a qualified charitable distribution up to \$100,000.
- It raised capital gains rates, which could incentivize donors to give appreciated stock to avoid paying taxes on gains.
- It maintains the \$5 million exclusion amount for gift and estate taxes and establishes a top tax rate of 40 percent, which could compel some families to revisit and update their estate plans.

The elimination of the “payroll tax holiday” is likely to affect gifts from low and middle income donors who tend to give from discretionary income rather than from assets. Changes to income tax rates are hard to decipher, but suffice it to say that those in the highest tax brackets will likely pay more taxes – and potentially realize higher tax savings from charitable gifts.

The Fundraising Landscape

Last year saw many more Northwest nonprofits take steps to prepare for significant fundraising campaigns. Some of this activity can be attributed to pent-up demand – the horses escaped from the recession barn. This trend will continue and the competition for donor attention and loyalty will be fierce. Two sectors that are expected to fare better than others this year are education and environment/animals. A recent survey by The Council for the Support of Education indicates that giving

to colleges and universities will grow by 5.8 percent, and *Atlas for Giving* predicts that the environment/animals sector will see the largest percentage increase of donations this year.

What you can do:

“To expect the unexpected shows a thoroughly modern intellect.” – Oscar Wilde

- **Be informed.** Stay abreast of discussions in Congress about the debt, the deficit, and the tax code. Proactively communicate with your donors about how legislation might affect your organization directly or the charitable giving universe. Advocate and take positions where necessary. Independent Sector (www.independentsector.org) is an excellent resource for policy issues.
- **Be ready.** Recent and future changes to the tax code might cause donors to re-examine their giving priorities and estate plans. It’s a good time to promote your legacy giving society and other gift planning options such as charitable trusts. If you don’t have gift planning expertise on your staff, affiliate with someone who does so that you can be ready to respond if a donor wants to discuss options with you. The Partnership for Philanthropic Planning (www.pppnet.org) can direct you to consultants and other resources.
- **Be smart.** As the fundraising playing field gets more crowded, especially with highly visible campaigns, you must be on your game in order to succeed. Donors are asking more questions about relevance and community benefit. Spend the time necessary developing a sound business plan and a compelling case for support. Showing that you’ve done your homework and can tell your story from “the donor’s point of view” will give donors confidence and inspire them to give.