



Some Md. charities find new tax law cutting into contributions

By: Samantha J. Subin June 20, 2019

The overhaul of the federal tax code is taking a toll on charitable giving in Maryland and across the nation, experts say, forcing some nonprofits to take a hard look at the programs and services they offer.

A study released Tuesday by Giving USA found that charitable giving fell by 1.1% nationwide in 2018 — the biggest drop since the 2008 recession. The foundation estimates that only 16-20 million households itemized deductions in 2016 — a sharp decrease from more than 45 million in 2016.



William McLennan, executive director of Paul's Place, says donations to the charity have dropped. "We have reviewed every line of our budget," he said. "We've had to trim." (File Photo/Anne Sachs)

"This is just the tip of the iceberg," said Heather Iliff, president and CEO of Maryland Nonprofits, an organization that offers resources to Maryland organizations. "We're very worried that 2019 is going to see a bigger drop in individual giving."

The new tax law roughly doubled the size of the standard deduction, leading many financial advisers to predict that some donors would cut their giving because, using the standard deduction, they could no longer itemize those contributions.

At Paul's Place, a donor-driven charity aimed at improving southwest Baltimore communities — the effects of the tax changes are tangible. Donations from middle-class donors dropped by nearly 25%, said William McLennan, the nonprofit's executive director.

"We have reviewed every line of our budget," he said. "We've had to trim."

Larger organizations like Open Society Institute-Baltimore, an organization that offers grants, fellowships, and works to improve urban areas, are also reporting decreased individual giving.

"We've had conversations," said Polly Stamatopoulos, director of development at OSI. "We've talked about what it would look like if we were to decrease different program areas."

Not every Maryland charity is feeling a pinch. Some are reporting increased giving. Individual contributions grew by nearly 15% at Habitat for Humanity of the Chesapeake and by 42% at Girl Scouts of Central Maryland.

There are more than 32,000 nonprofits in the state of Maryland, Maryland Nonprofits reports. Maryland residents donate approximately \$5.3 billion annually to charities.

While individual giving decreased nationwide, giving by foundations increased by 7.3% and giving by corporations increased by an estimated 5.4%, Giving USA reported.

Donations nationally also differed across sectors. Education and religious organizations reported decreases, while donations to arts, health and culture organizations remained flat. International affairs organizations saw a 9.6% increase, but environment and animal-focused organizations saw a 3.6% increase, the report noted.

At the Baltimore Museum of Art, individual donations decreased by approximately 0.8% between the 2017 and 2018 fiscal year. The Chesapeake Bay Trust, an Annapolis-based environmental and grant-making organization, saw single-digit growth, said Cindy Edson, a development and communications associate with the organization.

Goodwill Industries of the Chesapeake, also saw an increase in material donations, said Jonathan Balog, vice president of marketing and communications. And, while the number of donors hasn't shifted, people are donating more.

Donations spurred by passion or anger in today's polarized political climate could be one reason for increases in certain sectors, Stamatopoulos said.

Following the 2016 election, donations increased to humanitarian and women's rights organizations, many of which opposed Trump administration policies toward immigrants and abortion. After the president's 2017 executive order barring refugees from seven Muslim-majority countries, donations to the ACLU increased. This year, Planned Parenthood donations surged following new abortion bans passed in states like Alabama and Georgia.

Since 2016, environmental organizations also reported increased donations — a result some said of the Trump administration's skepticism toward global warming and decision to withdraw from the Paris climate agreement.

As many organizations scramble to maintain their level of funding, they also tackle donor fatigue — a result of the proliferation of nonprofits overwhelming individuals with donation requests.

There are more than 1.5 million nonprofit organizations in the U.S., according to the National Center for Charitable Statistics. Learning how to engage and connect successfully with a variety of donors is a struggle for many organizations.

"If you don't communicate well with your donors you're going to lose them," said Stamatopoulos.

For United Way of Central Maryland, offering monthly, episodic donations is one way to engage millennials, said Franklyn Baker, president and CEO at United Way of Central Maryland.

McLennan is working on personal letters, pamphlets, increased social media and phone calls to build strong donor relationships.

While some organizations and experts are concerned about the immediate effects of the tax changes, others are patiently watching to see the longer range implications of the overhaul.

"It's a little too early to identify a giving trend," said Christine Collins, director of communications at Catholic Charities of Baltimore.

Additionally, results can differ from nonprofit to nonprofit because many foundations self-report, said Celeste Amato, president of Maryland Philanthropy Network. "Not all foundations have to file the same reports," she said.

With the new tax code, experts say many lower-income individuals may consider a new strategy — bundling charitable gifts with donor advised funds or donating every other year — to take advantage of the tax deductions.

Regardless, individuals should be aware of the potential humanitarian impact of decreased donations, Collins said.

"Changes in the economy and tax law can affect the human beings that need that help," she said. "These are men and women and children and families that are real people."

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