Alana Sweeny, president and CEO of United Way of Westchester and Putnam, is trying to remain optimistic. Like many other nonprofit leaders in Westchester County and across the country, Sweeny is concerned about what the new tax law will mean for charities like hers.

“At this point, we have a lot of unknowns, and a lot of it is going to have to be wait and see what happens,” Sweeny said.

Congress passed the Tax Cut and Jobs Act in December, and with it, nearly doubled the standard deduction to $24,000 per couple or $12,000 for a single filer.

According to the Tax Policy Center, a Washington D.C. nonpartisan think tank, the new plan could reduce the number of taxpayers who elect to itemize their deductions by more than 33 million people.

If a filer opts for the standard deduction, they will not be able to write off certain expenses, including donations to nonprofits, something that has historically been a strong motivator for their generosity.

“The promise of a tax deduction was always an incentive for people to donate,” said Janet Langsam, executive director of ArtsWestchester.

Anthony J. Tempesta, an accountant and partner-in-charge of Marks Paneth LLP’s Westchester office in Purchase, said the change in the law will likely more affect the smaller or “the average” donor.

“The incentive to make contributions has been lessened, and people may not want to give anymore,” he said. “I think a lot of charities down the line are going to suffer from this tax bill.”
Sweeny agreed. “I’m most concerned about those $1,000-and-under donors, because I think they are going to be the ones that we may see have their charitable giving affected the most. It’s a big unknown right now,” she said.

According to the Tax Policy Center, the new tax plan could cut individual giving to charities by between $12 billion and $20 billion in 2018.

“People don’t donate to charities solely for the tax deduction,” said Joanna Straub, executive director of Nonprofit Westchester, “but I think everyone is sort of pausing and trying to figure out what we can do to encourage people to not stop giving.”

William Mooney, president and CEO of the Westchester County Association, said the new tax plan could increase pressure on local governments to supplement programs that nonprofits might no longer be able to fund.

“Everyone likes to think that people give money for passionate reasons, and they do, but at the end of the day, the tax situation is important, and it’s going to be a radical change,” he said. “I think what’s important is how our community reacts to the challenge.”

Mooney added that because of the large nonprofit presence in Westchester County, the impacts will likely be far-reaching.

“This is going to create a real issue and have an impact on the business community in a variety of different ways,” he said. The WCA is working to come up with an action plan to address some areas that could be impacted by the tax plan, he said.

Another less direct effect of the new legislation could come from its $10,000 cap on deductions for property and other state and local taxes. That deduction limit could affect some in Westchester, where residents pay an average of $16,500 per year in real property taxes, according to ATTOM Data Solutions.

“They’re not going to be able to deduct a good portion of those taxes, so if there’s less in their pocket, they have less money to give,” Sweeny said. “I’m worried about how that’s going to affect things, especially in our area. Frankly, this is pretty unprecedented.”

The new law also more than doubles the estate tax exemption to $11.2 million for an individual, another factor that could impact charities.

“There are some people, because the estate tax was so high, would give more to charities in order to be able to offset that tax,” Sweeny said.
At Marks Paneth, Tempesta agreed that historically, the estate tax has been an incentive for the wealthy to donate to nonprofits instead of incurring the estate tax.

“The need to give to charity is going to be diminished and that’s going to have a big impact,” he said.

One possible bright spot in the new legislation is the drop in the corporate tax rate from 35 percent to 21 percent, which some nonprofit leaders hope might spur a giving spirit in some area businesses.

“We’re looking at doing more corporate sponsorships,” said Joseph Gallo, a board member of Lifting Up Westchester and president of Gallo & Associates CPA in Pleasantville. “Since their taxes are going to go down, maybe that will give them more flexibility to be able to do more (for charities). That might be the avenue where we can go to get a better handle on this and maybe get some additional funding.”

“I’m not going to say I’m not optimistic,” Langsam said with a laugh, “but we’re hopeful that the corporate sector will do the right thing.”

The anticipated drops in funding come at a difficult time for the nonprofit sector, when many charities are also expecting decreases in government funding.

“It’s kind of a perfect storm,” Straub said. “Am I absolutely worried about what my members are going to be able to do? Yes.”

Many nonprofits are already taking proactive steps to prepare for the challenges the coming years may present.

“We’re taking a look and analyzing our donor base and trying to make predictions and decisions about where we should put our efforts and if there should be a change in our efforts due to the change in the tax law and how it affects our donors,” Sweeny said. “It’s a difficult one to predict.”

Still, it’s undoubted that a drop in funding would put a serious strain on the nonprofit sector. “As an artful way of putting this, we’re dancing as fast as we can at the moment,” Langsam said.

“Can we dance any faster? I don’t know.”

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