



FOUNDATION & ENDOWMENT REPORT

foundationendowment.com

March 2018

Charitable contributions expected to decline in 2018

Economists and university officials fear charitable giving will decline due to changes included in the **Tax Cuts and Jobs Act**, said an executive of the **National Association of College and University Business Officers (NACUBO)** speaking at the organization's *Endowment and Debt Management Forum* in New York on February 8.

The tax reform grants an increased automatic deduction for all citizens that reduce the need to itemize write-offs such as charitable contributions. The reform will increase the cost of making gifts, argued **Matt Hamill**, a senior VP at NACUBO.

"Proponents say people don't give to charity because of the tax writeoff, and while that may be true, the amount they give is directly affected by the cost of that gift," he said. "When costs go up, one can assume giving will go down."

While it is widely accepted that the number of charitable contributions will decline, the aggregate value of donations may not take such a big hit. Specifically at colleges and universities, 98% of fundraising comes from wealthy donors, **Mary Jane Bobyock**, a managing director of the institutional nonprofit advisory team at **SEI**, told *FER* on the sidelines of the forum.

"I don't think contributions will be as impacted as some in higher education think, said Bobyock. "Some [schools] that are already maintaining and developing relationships with large donors aren't as worried."

Even if charitable giving doesn't significantly decline, roughly 30 schools are bracing for the effects of the newly imposed 1.4% excise tax. Hamill credited a reinvigorated historical skepticism about endowments and how they are managed for the passing of the tax. He added that there's a sense among Repub-



licans that higher education is aligned with Democrats and the provision was a form of punishment.

"The skepticism about large concentrations of wealth in this country go back to our very roots," said Hamill. "So if higher education is not aligned with our political base, and there's skepticism about how they manage their endowments, maybe [they thought] it's time for the excise tax."

One institution that has appeared to avoid the tax is **Berea College** in Kentucky. The private liberal arts school provides free tuition for all 1,600 of its students. Its \$1bn endowment originally fell under the new tax's threshold, but a provision in the proposed Senate budget bill would eliminate the potential \$1m tax on the school. The new language says the law would only apply to private colleges and universities with "tuition paying" students, said Hamill.



© 2018 all rights reserved.

COPYRIGHT NOTICE: No part of this publication may be copied, photocopied or duplicated in any form or by any means without Pageant Media's prior written consent. Copying or forwarding of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees.

Provided by SEI Investments Management Corporation, a registered investment adviser and wholly owned subsidiary of SEI Investments Company

Reprinted with permission of Foundation & Endowment Report