



Fiscal cliff impacting charitable gift giving

Donors gauge effects of potential tax changes; groups push for clarity

By [MICHELLE PARK](#)

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This December, the month when many charities raise the bulk of their donations, uncertainty about the tax climate in 2013 is driving some donors to increase their gifts — because at least they know how their income and gifts will be taxed this year — while others are outright delaying gifts until more clarity is had.

Lawmakers are working to resolve the so-called fiscal cliff, and they're weighing whether the charitable deduction should be limited, plus other options that would diminish the tax breaks one can reap for giving to nonprofits.

Charities aren't taking it lightly.

United Way of Greater Cleveland on its website asks people to write members of Congress and urge them to preserve the charitable deduction, not "reform taxes on the backs of the poor."

And the Cleveland Foundation hosted two presentations about charitable giving strategies in uncertain economic times, one in mid-November for about 80 professional advisers and one on Dec. 5 for roughly 50 donors.

Standing at the front of the room during both presentations was Steve Gariepy, who co-chairs the estate planning group at Hahn Loeser & Parks LLP, a Cleveland-based law firm.

Mr. Gariepy said a majority of his clients are exploring options for accelerating into 2012 the charitable giving they might do in future years. One client who normally gives \$100,000 is doing five times that amount this year to take advantage of the tax climate he knows exists today, Mr. Gariepy said.

"That's a way of taking advantage of the certainty of the 2012 deduction versus taking the risk of a limited 2013, 2014 deduction," he said. "There are changes in the offing that could impact and reduce the tax benefit of making large charitable gifts next year."

Stuck in neutral

While Mr. Gariepy's clients either are continuing to give as they usually have or are giving more, other advisers say they see donors at a standstill.

"A lot of clients are kind of hamstrung," said Jess Hurst, president and partner at the Millennial Group, an Akron wealth advisory firm. "A number of them have delayed or not given when they normally would have just because they don't know what to do at this point in time."

The wait-and-see attitude couldn't come at a worse time, said Mr. Hurst, who also sits on the board of two Akron nonprofits, OPEN M, a faith-based ministry that delivers food and health care through free clinics to the needy, and Weathervane Playhouse.

"We've kind of got a perfect storm out there from a charitable standpoint," he said. "Our clients who are donors to charities are sitting out there with a lot of uncertainty, which leads to inaction, and you've got charities who are trying to support and help people in need who have substantial needs at this time of year. The combination of those two has created a really bad scenario for some nonprofits in the area."

"A higher element of crazy'

Many donors deciding to give more this year to dodge the uncertainty of next year are doing it through donor-advised funds, Mr. Gariepy said. Donors who set up such funds take the charitable deduction this year, but distribute their funds in amounts they choose to charities they choose into the future.

True to the trend Mr. Gariepy describes, interest in such funds is up at two local organizations that administer them.

Since the November election, the Cleveland Foundation is fielding a greater number of calls from advisers and donors asking about opening new donor-advised funds or adding money to existing ones, said Kaye Ridolfi, the foundation's senior vice president for advancement.

Ms. Ridolfi said she isn't aware of a lot of people giving way more or way less, but she does hear them debating their timing.

"The question is, should I do it in December, or should I wait until next year?" she said.

The American Endowment Foundation, a Hudson public charity that administers donor-advised funds totaling about \$275 million for roughly 1,600 families nationwide, as of mid-December had seen the number of new accounts year-to-date rise at least 40% from the like period last year, estimated Laura Malone, director of gift planning.

"December's always crazy for us anyway," Ms. Malone said. "I think there is going to be a higher element of crazy. We're still getting calls now with families that are trying to do stuff with illiquid assets. Those assets are not that easy to transfer to a donor-advised fund.

"(Donors) feel pressure to act," she added. "They feel they have to do something, but they're not really sure what the true result is going to be if they don't do anything."

Certified financial planner Mr. Hurst anticipates a flurry of giving in the last week of the year if Congress takes action that provides a clear tax liability picture.

Gifts with benefits

While tax breaks are not the only reason people give to philanthropy, Ms. Malone noted they are "often the icing on the cake." Without the incentive to give, charities fear people will give less.

"Some people — not all people — do take into account the tax benefits of the gift, and the larger the tax benefit, the more they will give," Mr. Gariepy said. "What you see on the horizon is that if larger gifts are no longer fully deductible,

people will take that into consideration and perhaps give less.”

A query to various charities around town reveals that some — the Cleveland Foodbank, for one — are on pace to raise this year about what they did last year from individual donors. Others, however, have raised more money. Among them are College Now Greater Cleveland and the Cleveland Clinic, which reported that its year-to-date donations as of mid-December were up in the range of 12% to 15% from the like period in 2011.

Nelson Wittenmyer, vice chairman of the Clinic's Philanthropy Institute, isn't convinced the increase has much, if anything, to do with tax uncertainty. When it comes to medical charitable causes, tax benefits are less of a motivator for donors, who often give out of intense gratitude for medical care they or someone they know received, he said.

Year-to-date giving for the Cleveland Foundation was up through Dec. 12 over the like period in 2011, though Ms. Ridolfi said she couldn't disclose how much until the foundation's year-end close.

Like many in the nonprofit sector, Ms. Ridolfi said she hopes lawmakers will leave the charitable deduction as is.

“The charitable deduction is important to how we will do business in the future,” Ms. Ridolfi said. As government support to many people decreases, she said, “I think the need for services that nonprofits provide will only increase.”

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