

How to Build Back Generously

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In this holiday season, with the ongoing tax tumult in Washington DC, we pause for a moment to consider not only how we might Build Back Better, but how we can Build Back Generously.

Giving is good for the giver, and that is more than a familiar adage. Studies show those who give of their time, talent or treasure are more prone to be happy, enjoy good or excellent health, and have a strong sense of purpose. Charitable giving increases personal agency, social-network relational ties, and learning about the world. It is reported to reduce "maladaptive self-absorption," which anyone who has parented an adolescent is familiar with. [1]

This good-for-us charitable giving has historically been a cultural norm in the United States. And it has been supported by our tax system. But times have changed.

In 2000, over two-thirds of American households participated in charitable giving. By 2018, participation had declined to less

than one-half of households. [2] Charitable giving is no longer the cultural norm. While overall giving levels are robust, \$471.44 billion in 2020, fewer people are giving. [3] We have a giving gap in addition to the income and wealth gap.

From the early days of the income, gift and estate taxes, a charitable deduction has been available to reduce the impact of taxes. We have had a choice to give to what we believe in with pre-tax dollars. In fact, the gift and estate tax deductions are unlimited, so for those who are so inclined, they can entirely eliminate gift and estate taxes with gifts to charitable organizations. In 2020 and 2021, we have a 100% charitable income tax deduction for cash gifts to qualified charities; however, we are seeing a shift in the tax norm, just as we are seeing a shift in the cultural norm. [4] The 3.8% net investment income tax, which came into effect in 2013 and would be expanded under the pending Build Back Better Act, is in addition to our income tax and is calculated based on modified adjusted gross income with no charitable deduction offset. The proposed Build Back Better Act wealth surtax would also be based on modified adjusted gross income, with no charitable deduction offset for individuals.

If giving is good for the giver, but fewer people

participate in giving and we may not have continuing tax system support for giving, how do we perpetuate a culture of giving? One person, one action at a time, which cumulatively has a sustainable impact.

- *Collect your giving stories and make a giving inventory.* How have you benefited from giving and how have you benefited others? Take into consideration time, talent and treasure.
- *Share your and others' stories this giving season and engage in acts of giving.* More is caught than taught. My father-in-law died in August. He saved all his income tax returns and we kept a few of them. In 1964, as a young engineer with three children under the age of six, his gross income was \$13,000 and he and my mother-in-law made \$1,300 in charitable gifts. We shared that with our adult children as a reminder of how Grandma and Grandpa did not wait until they had "enough" to give; they just gave.
- *Know how to give.* There are many tax-wise ways to give. Whether you are a business owner with S-corporation stock, an investor with appreciated securities, an executive with appreciated company stock in a tax-deferred retirement plan, or a retiree with an individual retirement account, there are giving strategies you can use to optimize the impact of your gift

and reduce your tax burden.

Hearing your giving stories and sharing giving strategies with you gives us great joy.

Together, we can Build Back Generously. To discuss your charitable giving story, plan and strategies, do not hesitate to reach out to the Trusts & Estates Group.

[1] Smith, Christian and Davidson, Hilary, The Paradox of Generosity: Giving We Receive, Grasping We Lose, Oxford University Press (2014); Science of Generosity // University of Notre Dame (nd.edu), The Paradox of Generosity // News // Center for the Study of Religion and Society // University of Notre Dame

[2] Lilly Family School of Philanthropy Panel Study, Philanthropy Panel Study: Current Research Projects: Research: Lilly Family School of Philanthropy: IUPUI, Infographic: The Giving Environment: Understanding Pre-Pandemic Trends in Charitable Giving (iupui.edu)

[3] Giving USA 2021, GUSA2021 Infographic Digital.pdf (givingusa.org)

[4] Charitable Giving and Tax Incentives, Charitable Giving and Tax Incentives Report - Lilly Family School of Philanthropy (iupui.edu)