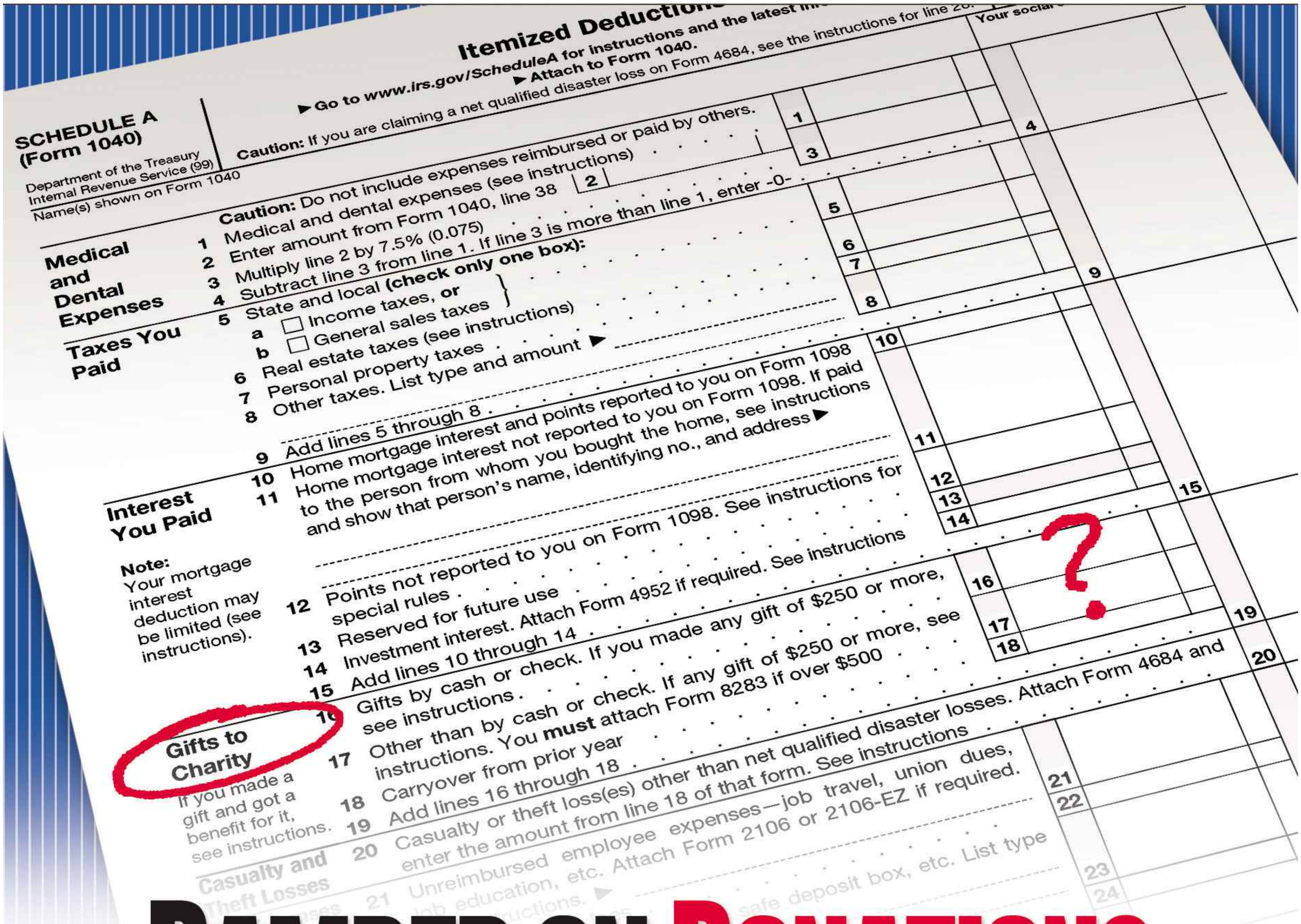
FINANCE
HOW TO PICK A CAREER YOU'LL LIKE
A39



DAMPER ON DONATIONS

CHARITIES WORRY AS TAX OVERHAUL REMOVES INCENTIVES FOR GIVING

BY KEN SCHACHTER
kenneth.schachter@newsday.com

Long Island charities — particularly those relying on large numbers of small donors — are bracing for a decline in 2018 individual donations, officials say.

The reason: The sweeping tax overhaul signed in December by President Donald Trump reduces or eliminates key financial incentives for many individuals earning middle incomes to give to charity.

Theresa Regnante, president and chief executive of United Way of Long Island, said that hearts may favor giving, but financial resources dictate the terms. Individuals will give less, she said.

"Long Islanders will be hard-pressed with discretionary income," she said. "Charitable dollars typically fall into that bucket. Most people give because they have the capacity to give."

Charities — some of which say they already have been warned by donors to expect lower contributions — say they may respond by focusing more on corporations or high-income individuals, who will benefit more from the tax overhaul. Others say the changes make it more important for them to connect with donors over the importance of their cause.

"We do expect a drop in donations because of" the new law, said Robert Misseri, president and founder of Guardians of Rescue, a Smithtown animal rescue and welfare organization. "We'd be lying if we said we weren't worried about it."

Misseri said his organization depends on smaller donors rather than wealthy contributors and grants.

See CHARITIES on A36

PEOPLE ON THE MOVE See who has been hired and promoted on Long Island newsday.com/business

Predicting a PINCH

Charities expect people to donate less under the new tax code, which could mean less help for those in need

CHARITIES from A35

The Tax Cuts and Jobs Act, which rewrote the tax code, retains deductions for charitable donations.

But, importantly, it nearly doubles the standard deduction. That means that individuals or married couples can deduct $12,000 or $24,000 on their tax returns for 2018 without itemizing any deductions. More people are expected to use the standard deduction rather than itemize.

Because these people are not itemizing their charitable gifts, their tax payments won't be reduced if they donate to a charity.

Under the new law, only the top 5 percent of tax filers nationwide will have sufficient itemized deductions to claim a charitable deduction, according to an analysis by Philadelphia law firm Morgan Lewis & Bockius LLP, which has served as tax counsel to the Trump Organization.

That projection compares with 24 percent of taxpayers who reported a charitable gift on their 2015 tax returns, according to an analysis of IRS data by The Chronicle of Philanthropy.

Income growth lagging

The tax changes come at a time of slow income growth on Long Island as the economy continues to pivot toward lower-paying service-sector jobs.

Average annual wages for individuals on Long Island (not adjusted for inflation) have increased from $52,060 in 2012 to $56,670 in 2016, an average gain of 1.8 percent a year.

And charitable donations here have seesawed in recent years. Long Islanders donated $2.80 billion to charities in 2015, according to the latest data from the Internal Revenue Service. That was a decline from $2.87 billion in 2014. Donations were $2.58 billion in 2013 and $2.70 billion in 2012.

The not-for-profit sector accounts for a large and growing slice of Long Island's economy, even apart from the services it provides.

John Rizzo, economist for the Long Island Association, the region's largest business group, calculates that the not-for-profit sector accounted for almost 161,000 Long Island jobs in 2016, 14.7 percent of total private-sector jobs. Employment in the sector grew 19.5 percent in the prior 10 years, outpacing the 3.2 percent employment growth at for-profit businesses, according to New York State Labor Department data.

BARRY SLOAN

United Way CEO Theresa Regnante: Long Islanders will be hard-pressed for discretionary income.

Not-for-profit salaries (not including benefits) jumped 26 percent in that period to $8.6 billion, almost 14 percent of the total for private industry.

No one knows precisely how much the tax overhaul will affect donations in 2018, but experts on Long Island and nationally forecast a downturn.

"I don't doubt for a second that charitable giving will be affected," said Tony Basile, a senior accounting and tax professor at Hofstra University and president of the Nassau County chapter of the New York State Society of CPAs. "There's no doubt that there will be less resources and charitable organizations will have to be more creative in their fundraising."

Hadar Susskind, senior vice president of government relations for the Arlington, Virginia-based Council on Foundations, said that "billions of dollars" will be lost to not-for-profits because of the new tax law.

"We're not the pharmaceuticals industry," he said. Charities won't suffer "a loss in profit . . . It's fewer beds in charitable hospitals. It's fewer programs for returning veterans."

Randi Shubin Dresner, chief executive and president of Island Harvest Food Bank, a hunger relief organization, said several major individual contributors have contacted the Bethpage not-for-profit to warn of possible reductions in giving.

One said that in some cases he was cutting his gifts in half.

"It's not just Island Harvest that's impacted, Dresner said. "It's other organizations as well."

Some charities are appealing for legislative relief.

Suzanne LeBlanc, president of the Long Island Children's Museum in Garden City, said she will be meeting with New York lawmakers on Museums Advocacy Day in February to discuss potential solutions. One proposal: allowing a charitable deduction for all taxpayers.

The business source

An alternative source for charitable contributions is businesses, which made out well in the tax overhaul. The top tax rate for corporations fell from 35 percent to 21 percent, and some partnerships, limited liability companies and sole proprietorships got a new 20 percent deduction on qualified business income.

That should leave many businesses flush with cash, although it will give them less incentive to lower their tax bills with charitable donations.

Melville-based medical products distributor Henry Schein Inc. has sought to incorporate philanthropy into its corporate culture.

In 2016, Henry Schein, whose revenue of $11.6 billion that year makes it Long Island's largest public company, made $10.5 million in cash and in-kind donations. It said it does not expect to change the levels of its donations based on the new tax law.

Going after corporate support is a good idea "in theory," said Misseri of Guardians of Rescue, but "so many organizations are going after that cor-

BY THE NUMBERS
Long Island charitable donations

$2.80B
2015

$2.87B
2014

$2.58B
2013

$2.70B
2012

Source: Internal Revenue Service

BARRY SLOAN

CEO Randi Shubin Dresner said several major individual contributors have warned her hunger relief organization of possible reductions in giving this year.

porate sponsorship and they can support only so many."

The same holds true for wealthy donors who might clear the threshold for a deduction. "It's a struggle," he said.

Charities that rely less on individual donations have less concern.

Health care giant Northwell Health, based in New Hyde Park, is easily Long Island's largest not-for-profit — it has 66,000 employees and is the largest private employer in the state. Cash donations in 2017 accounted for more than $110 million out of a budget of about $10 billion.

Brian Lally, senior vice president and chief development officer, said some donors "front-loaded" their gifts to take advantage of 2017 tax provisions, but he said that he doesn't expect the tax law to have "a huge impact" though he isn't certain.

At Bethpage-based Adults & Children with Learning and Developmental Disabilities, the tax law is not a major concern because most funding comes from government sources, and less than 10 percent comes from fundraising, said Aimee Keegan, director of development and community relations.

Widening the focus

But other charities are rethinking their fundraising strategies in response to the new tax landscape.

Historically, United Way, which funds a variety of charities, has conducted workplace campaigns. On Long Island the not-for-profit raises about $5 million of its $16 million annual budget from individuals, with the rest coming from foundations, corporations and grants.

Regnante said the Long Island unit has about 25,000 individual donors, but she is heightening her focus on other types.

"We have to have a much more aggressive plan to work with corporations, businesses and foundations, because it is more likely that they'll have more assets than individuals," she said. "It's not going to be an uptick year for individuals. You have to go where the well is fuller."

Tony Di Spigno, a Port Washington resident who is senior vice president of resource development for Columbia, Maryland-based Enterprise Community Partners Inc., a provider of affordable housing, said some higher-income taxpayers will continue to take charitable donation deductions and appeals will continue to carry the message that donations are "tax deductible to the full extent of the law."

"Large donors like to tell people at a cocktail party that they've given so much money to XYZ," said Di Spigno, who has served in the fundraising arms of Habitat for Humanity International and Outward Bound USA. "You should get more big gifts."

But Di Spigno said charities should focus on their mission and its impact when communicating with less wealthy contributors.

"For smaller donors we emphasize that we have a cause here that's solvable," he said. "Nonprofits have to stress that it's about the cause and your gift can make a difference."

Some charities asked donors to increase their gifts last year, when tax treatment was more favorable.

On Dec. 29 Island Harvest issued a last-minute email plea for donors to accelerate their donations before the end of 2017.

"A special gift in 2017 can assist so many of our neighbors living in hunger in 2018," the email said.

That approach is now over.

The Rev. Gideon Pollach, rector of St. John's Episcopal Church in Cold Spring Harbor, said the timing of the tax law's passage caught the church "flat-footed," coming so close to Christmas.

"There was a level of exhaustion from our own programming," he said. "We couldn't respond in a meaningful way."

Uncertainty ahead

The rector said the tax law "introduces an incredible amount of uncertainty" as the church seeks to run programs including food drives, clothing drives and anti-opioid-abuse campaigns.

Edward McWilliams, tax manager at Cerini & Associates LP, an accounting firm that serves many Long Island not-for-profits, said some of his individual clients may donate at a lower level, but others will reap benefits from the tax law and feel "flush with cash."

"With a lot of my clients, there was a feeling . . . that charitable donations being deductible was a cherry on top," he said. "They lost the cherry on top."

But Pollach and leaders of other not-for-profits see the fundraising climate in more dire terms.

"We're expecting the worst and hoping for the best," he said.