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## Charitable Deductions Under Attack

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As is commonly known, individuals are permitted a tax deduction for contributions made to charitable organizations. Under current law, individuals can take a full deduction for these contributions made. The tax impact of the deductions is different from individual to individual, but those in the higher income tax brackets generally received a higher percentage benefit due to a larger decrease in their overall tax liabilities. For example, someone in the 15% tax bracket receives a 15% benefit, while those in the 33% bracket receive a 33% benefit on the same amount of donations made.

Due to the poor state of the Federal government's budgets and ever-increasing deficits, Washington is looking for ways to increase tax revenues. One of the methods that have been receiving considerable attention of late is limiting the amount of tax benefit those in the higher tax brackets receive from making charitable donations. Listed below are a few of the changes that are currently being discussed in Washington that would affect the tax benefit, and quite possibly, individuals' willingness to donate if these changes come in to play. Ultimately, it could be the charitable organizations that lose with these changes to the tax law.

- **President Obama 28% Limit** – The President has several times pushed for a limit on the amount of benefit those in the upper tax brackets can receive from their charitable donations. Under his proposals, the deductions would be capped at a 28% tax benefit, even though an individual may be in the higher 33% or 35% tax brackets. This proposal is currently included in the American Job's Act that is sitting in the House and Senate.
- **12% Tax Credit** – the Bowles-Simpson Commission has recommended that the charitable itemized deduction be converted into a 12% tax credit which would be available to all taxpayers, but only for donations above 2% of the taxpayers' adjusted gross income.
- **15% Refundable Credit** – the Debt Reduction Task Force has recommended that the charitable itemized deduction be converted to a 15% refundable tax credit.

If you have any questions about these or any other tax matters currently, please contact a GBQ representative at 614.221.1120.

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