



How Changes to the
2018 Tax Law

Affect Your Parish this Giving Season

ParishSOFT



It's been a busy year for faith-based organizations across the U.S.

There's a lot to keep up with as you further the mission of your church locally and globally—and we're fast approaching the biggest giving days of the year. That's why we wanted to take a moment to review a very important (though often avoided) topic—taxes.



In 2017, Congress overhauled the tax code and passed the Tax Cuts and Jobs Act. The new tax changes are the most momentous in 30 years, and the entire tax bill is a whopping 479 pages. While some changes won't affect parishes or your parishioners, others could significantly impact your giving numbers and admin responsibilities.

In order to gain a better understanding of the new tax laws and their impact on churches, we had a conversation with Bryan Baughman, a CPA, and partner at **PSK** that provides audit and accounting services for faith-based organizations. Here's what we uncovered so that you can be better prepared for the New Year.



A Look at What's Changed

Even though charitable deductions remain, fewer people will itemize

Previously, the standard deduction was \$6,350 for individual taxpayers and \$12,700 for married couples filing joint returns. In 2018, those numbers increased. For individuals, the standard deduction is now \$12,000, and for married couples, it's \$24,000.

With this increase, filing is simplified. The standard amount people can subtract from their taxable income is larger, so many taxpayers don't have to list or itemize deductions (like charitable giving) to show they exceed the cutoff point anymore.



Another reason fewer people will itemize is that the deduction for state and local income taxes (SALT) is capped at \$10k. Before, it was unlimited, with a few regulations. A vast majority of people that itemized did so because SALT benefited them on their taxes.



What this means for your parish

While these changes were designed to make it easier to file, it may complicate the way people give. Those that are close to the standard deduction cutoff may not be as inclined to give because the tax savings just won't be there. Others may choose a different giving strategy, like donating once every two years instead of once a year.

Certain tax changes provide better opportunities for people to give

Even though fewer people are going to be itemizing, that doesn't mean they'll be less inspired to give. In fact, the opposite might be true for some people. In many ways, the new tax laws leave more money in the pockets of givers, as well as more opportunities to donate. Here are a few of those tax law changes.

- Child tax credit increased from \$1000 to \$2000 per child
- The IRA rollover provision was made permanent (People older than 70½ can continue to donate directly from their IRA for preferential tax treatment)
- The charitable giving limit increased to 60% of the taxpayer's income (10% higher than last year), and this often benefits wealthier retirees or those with many assets
- Corporate taxes fell to the flat rate of 21% compared to the previous rating system that peaked at 35%, and donors may see additional bonuses and raises from work



Unreimbursed expenses are no longer deductible

In the past, parish leaders, staff, and volunteers could deduct unreimbursed miscellaneous items on Schedule A of their 1040. That's not the case anymore. If you're notorious for forgetting to turn those receipts over to the church bookkeeper for reimbursement, trust you're not alone. This year, however, you won't be able to deduct them from your personal taxes, so make sure you're getting reimbursed by the parish.

- Moving expenses are no longer tax-free whether they are paid for or reimbursed by the parish
- For parishes that run a private school, parents can now use 529 College Savings Plan for primary and secondary education (up to \$10k) versus last year when it could only be used for college tuition
- Beginning February 2018, churches were required to use the newly published payroll withholding tables



4 Best Practices for Parishes to Prepare for Tax Law Changes

Now that you know what to expect from the changing tax laws, here are some best practices to better prepare for them now and moving forward.

1. If you haven't already done so, begin an accountable reimbursement plan for your parish. This ensures leaders, staff, and volunteers don't lose money on unreimbursed items when it's time to do their taxes. Put your reimbursement plans in writing and make sure it complies with the new tax laws.
2. Check last year's giving trends and identify those that may have given more in 2017 than usual. This could be a sign that they gave for 2017 and 2018 last year to avoid the tax changes. There's a wealth of information in your **reporting features**, so look through these for deviations in the normal giving patterns.
3. Payroll is a vital part of filing taxes and something the IRS looks at very carefully. Make sure you're using the newly published payroll withholding tables and complying with the tax codes for 2018.
4. If you have the funds, hire an accountant to help assist with your taxes this year. The same goes for payroll. If you want to learn more about reporting features from your giving platform, **reach out to your provider**, and they'll help you identify giving patterns.



Tips to Maintain (and even increase) Giving



Year-end is the ideal time to remind those that donate to the church that tithing is an act of spiritual discipline. It's not one that should be based solely on preferential tax treatment.

Some givers won't know they can't write off their charitable donations until they sit down and do their taxes. Help educate your church on the tax changes, so they don't feel as if the rug was pulled out from under them when they file their return.

Need a better online giving platform before year-end?

CONTACT US LEARN HOW PARISHSOFT GIVING CAN INCREASE DONATIONS AT YOUR PARISH



What to Expect for Year-End Giving Going Forward

No one can predict precisely how these tax changes are going to impact givers and the church. Some people forecast there will be a 5% drop in donations while others believe we could see an increase in gifts.

Going forward, study your giving trends and make sure you have access to a robust reporting system, educate givers and staff on how tax changes can impact them, and reach out to professionals for guidance when in doubt. You can visit the [IRS website](#) for detailed information and tax forms.

The most important part of this tax season is that you're confident and informed. That way, you can focus on year-end giving and make the most of this generous time of year.

DO YOU FIND THIS GUIDE HELPFUL? SHARE WITH YOUR FRIENDS!