

Fiscal-Cliff Tax Deal Expected to Boost Charitable Giving

By [Suzanne Perry](#)

The income-tax provisions adopted by Congress to avert the year-end "fiscal cliff" will increase charitable giving by an estimated 1.3 percent, or \$3.3-billion, in 2013, according to a new [Urban Institute analysis](#).

The boost will come mainly from the decision to increase the top tax bracket from 35 percent to 39.6 percent on income above \$400,000 for individuals (\$450,000 for married couples), the institute said. Because the charitable deduction is tied to a person's tax bracket, those donors will now save \$39.60 in taxes for every \$100 they give to charity. In other words, their gift will cost them only \$60.40, down from \$65 under the 35-percent rate.

People in the top 1 percent of income distribution will provide almost all of the higher giving, increasing their donations by an estimated 6.2 percent, the analysis found.

The study also took into account the decision to raise the capital-gains tax from 15 percent to 20 percent. That provides an additional incentive for people to donate stock or other property that has risen sharply in value. Not only will they escape the higher capital-gains tax, they will also get the bigger 39.6-percent tax savings on their gift.

The new so-called Pease limitation—which cuts itemized deductions by a complicated formula that in effect imposes a surtax on high earners—will have "negligible effects" on charitable giving, the analysis concluded.

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