



## CGP/ACGA Joint Statement on Biden Administration's FY 2022 Budget Request to Congress

Earlier this summer, the White House released details of its fiscal year 2022 budget request to Congress. This budget includes, among many other provisions, changes that would increase taxes on certain individuals. One such provision would have a significant impact on charitable giving, effectively eliminating the benefits of split-interest gifts for taxpayers, potentially resulting in the loss of hundreds of millions of dollars, if not more, to our nation's charities.

Specifically, this White House proposal would treat transfers of appreciated assets – including donations to a split-interest trust – as “realization events.” Under current law, donors of transfers of appreciated assets are not taxed on the appreciation at the time of the transfer. The new White House proposal, however, would tax the difference between the asset's fair market value on the date of the transfer and the asset's adjusted basis (its “basis”). If the asset appreciated over its basis, this would be treated as taxable gain. While there is an exclusion allowed for the charity's share of the gain, gain allocable to the non-charitable portion would be taxed to the donor at the time of the transfer. If enacted, charitable Americans would lose significant tax benefits in funding split-interest gifts, which in turn would dry up an enormous pipeline of charitable gifts, ultimately leaving less money to flow to charities and the communities they serve.

For over fifty years, split-interest gifts such as charitable remainder trusts and pooled income funds have been a critically important component of charitable gift planning and funding for nonprofits. These types of gifts allow average Americans to receive some stream of income while still assigning a significant portion of their gift to charity. According to the latest available IRS data, trustees of split-interest trusts reported approximately \$4.3 billion in charitable distributions in one year alone.

The National Association of Charitable Gift Planners (CGP) and the American Council on Gift Annuities (ACGA) oppose the Administration's proposal to tax gifts of appreciated property and treat donations to split-interest trusts as realization events. CGP and ACGA believe federal tax law should encourage rather than discourage charitable giving. Such “pro-charity” policies send an essential message about the value society places on voluntary giving and the important role charitable organizations play in meeting critical individual and community needs.

Tax policy that favors charitable giving is not a matter of providing a reward or something of value to the taxpayer; rather, it encourages those with financial means, however modest, to use their resources to support charitable causes of their choosing in order to help others. The true beneficiaries of federal tax policies that encourage charitable giving are not the generous Americans who make charitable gifts, but all of those whose communities both within this country and throughout the world are made better through the work of the charitable sector.