



## THE CHRONICLE OF PHILANTHROPY FUND RAISING

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## A Special Katrina-Inspired Tax Break Produced Mixed Results for Charities

By Holly Hall

Congress's efforts to prevent "donor fatigue" by passing special tax breaks after Hurricane Katrina yielded mixed results, fund raisers say.

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Many charities — especially those that made aggressive efforts to let donors know about the new tax breaks — received gifts of \$10,000 or more and some groups got multimillion-dollar donations. Cornell University, one of the biggest beneficiaries, raised at least \$30-million because of the new law.

Planned-giving consultants and financial advisers who helped arrange the large gifts made in response to the Katrina Emergency Tax Relief Act say that nonprofit groups who contacted their wealthy donors about the law's tax incentives were the ones to be rewarded. Charities that did not do so after the measure passed in September received few or none of the new gifts. The law offered generous breaks to people who made gifts by December 31, 2005.

Among those that reached out to donors and benefited: The American Civil Liberties Union Foundation received two gifts, each more than \$1-million, as well as some six-figure donations, because of the law. Save the Children and the Gulf Coast Community Foundation of Venice, in Florida, received \$900,000 apiece. Haverford College, in Pennsylvania, received three gifts, including a \$3.1-million donation.

### Cash Donations

The measure — which Congress passed to spur gifts to relief groups, as well as other charities that might have lost contributions in the rush to aid hurricane victims — required donors to make gifts in cash and enabled them to take a larger-than-usual income-tax deduction.

Normally donors can write off up to 50 percent of their income for their charitable contributions; under the new law, donors were allowed to deduct up to 100 percent.

Robert F. Sharpe Jr., a Memphis planned-giving consultant who worked with 150 charities on big gifts prompted by the legislation, says that those organizations received more than \$200-million.

And based on IRS data about tax deductions that donors defer because



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of the 50-percent limit, he estimates that the law prompted several billion dollars in gifts that otherwise would not have been made.

Communicating with donors was key, experts say, because the law was complicated and donors had a limited time in which to act.

Many organizations lost time because they erroneously thought the law applied only to disaster-related gifts. The measure also did not receive a lot of press attention.

Many donors took advantage of the law to pay off pledges early. At Southwest Washington Medical Center Foundation, in Vancouver, two donors who had each made a \$15-million pledge but had no payments scheduled last year, went ahead and gave \$4.5-million in December. Without those gifts, contributions last year "would have been pretty flat," says Jean Rahn, the foundation's executive director. "It turned out to be a much stronger cash year."

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