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Nonprofit Strategies



SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION

Estate Tax and Charitable Bequests

By Barry VanderKelen

A quirk of the Economic Growth and Tax Relief Reconciliation Package enacted in 2001 was the elimination of the federal estate tax in 2010. People who die this year can pass their entire estates to heirs tax free.

Giving USA estimates that charities received more than \$22 billion in 2008 from bequests. What does the elimination of the estate tax mean for charities and charitable bequests?

Studies of the effect of the estate tax on charitable bequests are inconclusive (a good summary study, "On Estate Tax Repeal and Charitable Bequests", by David Joulfaian, is at www.pgdc.com).

We do know that in 2009 the amount exempted from the estate tax was \$3.5 million and less than 1% of all estates were subject to the tax. Why so few? Either because few estates were larger than the exemption or people planned their estates properly. It's more likely the former because as many as 60% of the people who die every year do so without a will.

So if few estates were subject to the estate tax, why was so much bequeathed to charity? Most of the people who included charity in their estate plans didn't have to; whatever money was given to the charity was not given to family members. In other words, these people treated the charity as a member of the family. One

thing that is certain: nonprofits that build relationships with donors will receive bequests regardless of the amount of the estate tax.

In 2011, the estate tax returns with a \$1 million exemption. It is unlikely that Congress will impose a retroactive estate tax for this year. Rather, Congress will act later this year or early next year to return to the 2009 limits. Keep in mind that almost all members of Congress have estates larger than \$1 million.

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Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

Nonprofit Business Column of The Tribune

The San Luis Obispo Tribune publishes a column every other week in the Business section dedicated to the business practices of nonprofit orgs. Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes the bi-

weekly column to help strengthen nonprofit organizations in the community. Each column is reprinted here as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at barry@slocf.org.