Pittsburgh Planned Giving Council
Legislative Update
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On March 14, 2017, I reported on the following updates:

1. Prospects for Tax Reform are Dimming:

   Recent reports are now stating that there are priorities in Washington, D.C. other than tax reform that could take more time. Accordingly, most commentators agree that it is unlikely for tax reform to be enacted in 2017. Many are now predicting that action could happen "this year", instead of late July, as predicted before.

   Of course, there are many views on tax reform and whether or not it is a good thing. Under current law, there are few limitations placed on the itemized charitable deduction. That is largely good news in the view of most charities as most charities want to encourage their donors to make charitable gifts by utilizing the itemized charitable deduction. Tax reform (or tax law changes) could result in new limitations being placed on itemized deductions, or the charitable deduction itself. Also, current law does not permit the IRA charitable rollover to be used for life income gifts, such as charitable remainder trusts. A change in the law allowing use of the IRA charitable rollover for life income gifts is desired by many charities.

   Finally, most predict that tax reform needs to be passed on a bipartisan basis. Given the recent failure of Congress to enact health care reform, it does not appear that most in Congress are willing to engage in bipartisanship.

2. IRS Errors in Processing Tax-Exempt Applications:

   A review by a law professor found that the IRS is issuing tax-exempt status to hundreds, if not thousands, of so-called organizations not entitled to use the streamlined Form 1023-EZ application. For instance, it was reported that several hundred groups claiming to be "churches" received determination letters from the IRS declaring that donations they receive are tax-deductible, yet the Form 1023-EZ instructions are clear that the form may not be used by churches. This latest evidence reinforces concerns that the IRS has created an express lane to tax-exempt status, rubber stamping approvals without first making sure that applicants are entitled to tax-exempt status. Many commentators originally objected to the Form 1023-EZ because the IRS dropped its normal due diligence that it usually uses to weed out entities that are not eligible for tax-exempt status. It appears that these predictions have become true, and it has become too easy for ineligible applicants to be granted tax-exempt status.

3. Property Tax Showdowns Continue:

   As we have reported before, many states have been reviewing and starting to challenge tax-exempt status of property owned and used by charitable organizations. In Connecticut, one proposed bill would retroactively repeal tax-exempt status back to October 2016 for property owned by hospitals. This proposed legislation would also allow municipalities to levy a local property tax on non-profit hospitals.

   Locally, we still await the results from reviews of property tax exemptions started by Allegheny County in 2013. A local Pittsburgh ordinance requires property tax exemption reviews every 3 years, and Allegheny County has not been able to complete these reviews on a timely basis.