

## ASK DOW JONES | *By Tom Herman*

**Q:** I am concerned that the wealthy donors we rely on for fund raising at our school will have less incentive to give in 2011 due to several proposed tax-law changes. Is this a rational fear?

M.P., Houston, Texas

**A:** Probably not. Most tax experts I've interviewed agree that the main factor affecting charitable giving next year will be the economy's overall strength, rather than any tax-law changes. If the economy expands at a healthy clip, charitable giving is likely to increase.

I asked our reader which proposed tax changes are worrying him. He replied by citing several of President Obama's budget proposals, such as new limits on the benefit of deductions for charitable donations.

The short answer: Relax. Congress isn't likely to approve the President's proposed deduction

changes. That idea has drawn an icy reception from lawmakers and appears headed for the dustbin of history.

Our reader also expressed concern about the president's proposals to increase taxes on taxpayers in the highest tax brackets. The outlook for these proposals has grown increasingly blurry.

President Obama has proposed raising income taxes on married couples filing jointly making more than \$250,000 and on singles making more than \$200,000. For example, the top income-tax rate, now 36%, would rise to 39.6%. He also has proposed other tax increases for this group—such as raising the top rate on long-term capital gains, now 15%, to 20%, effective in 2011.

Congress might approve higher taxes for these people in an effort to reduce massive budget deficits. But when tax rates increase, charitable deductions become

even more valuable to taxpayers who itemize their deductions. About one-third of all taxpayers itemize their deductions, instead of taking the standard deduction.

Our reader also expressed concern about the possible impact of what he referred to as "death-tax repeal," meaning repeal of the federal estate tax.

However, as I explained in a recent column, it's a safe bet that the federal estate tax, which expired at the end of last year, will be back in 2011. It might be back even sooner if Congress decides to revive it later this year.

I still think lawmakers will take action later this year. But nobody knows when Congress will act or what the details will be, including the effective date of any changes.

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