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The Sweeping Tax Overhaul and the "Season of Giving"

TAX
BY SCHNEIDER DOWNS PROFESSIONAL

Last week, the U.S. Senate passed a historic overhaul of the U.S. tax code. This pushed Republican lawmakers one step closer to passing their first major legislation since President Trump took office. As the tax overhaul continues to move forward, now is the optimal time to kick off the “season of giving” to minimize your 2017 tax bill.

Under both the Senate and House tax bills, the tax break for charitable contributions is one of the few deductions retained and both bills increase the adjusted gross income limitation from 50% to 60%. Currently, charitable contributions are generally limited to 50% of adjusted gross income; and any amount that exceeds the limit can be carried over to next year –up to five years.

However, under both proposed tax bills, the majority of other deductions will disappear and the standard deduction will be doubled. These changes are likely to result in fewer taxpayers itemizing their deductions, which is the only way to take advantage of the charitable contribution deduction. Another notable change that could affect future giving is the Senate’s proposed change on the sale of stock. Gifting stock not only allows a donor to write off the value of the donation, but the investor also avoids paying tax on any capital gains related to the sale.

Currently, when investors choose to identify shares to gift to charitable organizations, they can sell their oldest shares first, or sell shares that were purchased on any particular date. The proposed Senate bill eliminates an investor’s ability to specifically identify which stock they want to gift, requiring an investor to divest their oldest shares first regardless of whether those shares come with the lowest cost basis.

There are a number of ways to prepare for all these possible changes to maximize your generosity while also minimizing your future tax bill. One solution is to gift stock this year. This will allow you to take advantage of the current law that allows you to choose which shares to donate, avoiding the payment of large capital gains.

At the end of the day, it is worthwhile to boost your charitable giving this year.

Even if Congress fails to change the tax law, no harm will be done because any amount that exceeds the gifting limit will carry over to the next year.

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