January 4, 2019

# Making the Most of Your Charitable Contributions

NOT-FOR-PROFIT, TAX, TAX REFORM
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One of the most significant changes introduced in new tax law is that the standard deduction has increased significantly for every type of taxpayer. For single filers, the standard deduction increased from $6,350 to $12,000, and for married filing jointly taxpayers, the standard deduction has jumped from $12,700 to $24,000. A higher standard deduction, along with capping the state and local deductions at $10,000 will enable fewer taxpayers to itemize their deductions. In fact, the nonpartisan Tax Policy Center projected that approximately 90% of taxpayers will take the standard deduction, as compared to the near 70% who do currently. Since fewer taxpayers will be able to itemize their deductions, fewer people will receive a charitable contribution tax benefits. So if you are a taxpayer inclined to give charitably, what can you do to maximize your tax benefits?

The most common method is “bunching” charitable contributions. The concept is simple: if you were originally planning to give $10,000 in charitable contributions each year over the next three years, instead, you should give all $30,000 in the first year, and nothing in the following two years. The tax advantages of giving, in this case, will come into play in the year you give $30,000. Donating $30,000 in one year will far surpass the threshold for itemizing, allowing for a tax benefit on your entire charitable contribution. If you weren’t to bunch your contributions, it’s likely you wouldn’t pass the threshold ($12,000/$24,000) to itemize in any of the three years by opting for the standard deduction.

This strategy might not be useful for all charitably inclined taxpayers, though. For example, it may be difficult for some to double or triple their usual contribution in one year, even though it would end up equaling the same amount contributed. In this case, the intermediate years off from giving can be used to save up for the larger contribution.

Donor-advised funds can be a very effective vehicle for giving charitably. A donor advised fund works very similarly to a mutual fund that holds future charitable contribution proceeds.  Once the funds are deposited into the donor advised fund, the taxpayer receives the tax deduction.  These funds can then either be directed to the charitable organizations at that time or at a later date based on pledge commitments.  While the funds are held in the donor-advised account, they can grow tax-free, and the earnings can then also be contributed to charitable organizations at a later point in time.  Thinking prudently about your future contributions and the timing of them can pay off, and bunching techniques are great tools to consider for those who are charitably inclined. Please consult your Schneider Downs tax advisor to determine how these and other tax planning strategies can impact your personal tax situation.

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