

The New Tax Law and Charitable Giving



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and not give it another thought.

Unfortunately, for charities, this increase has a large impact. Based on the increase in the standard deduction, it is estimated that the Tax Cut and Job's Act individual income tax changes will reduce the average marginal tax benefit of charitable giving from 20.7 percent to 15.2 percent. This translates to a loss of over \$5 in your pocket for every \$100 you give compared to last year. While many of you are thinking about how the 2018 tax laws will affect your bottom line, a major issue for nonprofits is that the new law may affect the amount that individuals and businesses contribute due to the loss of the ability to deduct the donation as a charitable contribution. It is all of our hope that donors are not basing their giving on the amount they can deduct, but it is clearly a factor in what people give.

Our hope is that nonprofits will not lose the funding they rely on,

as our community is dependent on these organizations for the benevolent care and support they give those who cannot afford it, be it our local hospitals' foundations, shelters and retirement communities' benevolent funds.

There are actually ways that individuals can still leverage their charitable giving to obtain tax benefits. The first is for someone over age 70½ to roll their IRA directly to charity without having to report any of the income. This is called an above the line deduction, and it allows seniors to avoid some or all of the income tax on their required minimum distributions and may allow them to reduce the amount of Social Security includable in their income.

The second strategy is for donors to bunch their deductions for several years into one, which will allow them to use the deductions in one year, as he or she will be over the \$24,000 of

itemized deductions in the year they donate. For many donors who like to give annually, they may consider bunching a donation in the first year to a donor advised fund and then the fund could give to the individual's charitable causes in the next several years to come.

The third strategy is to consider giving appreciated assets where capital gains tax would have been incurred to a charitable gift annuity or similar charitable remainder trust. This avoids the tax hit and provides an income stream to the donor. These charitable-giving vehicles will regain a lot more popularity under the new tax laws, as larger donations will clearly have more bang for the buck.

So consider giving back whether you get a tax break or not, as these organizations are what our community is all about!



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