Considering Charitable Giving?
Five Things to Consider Due to Tax Law Changes

It's Charitable Giving Tuesday! With the recent tax law changes, should you make changes to your charitable donation strategies? Helping others through charitable donations will always be beneficial for society, but also getting a tax break as a donor makes it even sweeter to give to others in need.

Prior to 2018, if you itemized deductions such as mortgage interest, state taxes, property taxes, or charitable contributions and the total deductions were greater than $6,350 single or $12,700 married, you received a deduction from your income for these expenses. In 2018 however, not only do your deductions need to be greater than $12,000 single or $24,000 married due to the higher standard deduction, but some of the expenses which are deductible are also capped. The deduction allowed for state and local income, sales and property taxes is now capped at $10,000 for everyone, single or married. Which means if you have $10,000 or greater in state and local taxes, you will also need more than $14,000 in other qualifying expenses such as mortgage interest, charitable contributions and allowable medical expenses in order to receive a tax deduction for your charitable contribution amount.

Charitable giving options which preserve the tax benefit of donating still exist. Consider the following strategies:

1. **Bunching charitable contributions**: Consider looking at your charitable giving budget over a longer time frame. Donate what you would have over more than one year together in a lump sum to bring your total in one year over the $12,000/single, $24,0000/married standard deduction.
2. **Donate appreciated stock**: The multiple tax benefits of donating appreciated stock are not new, but are worth mentioning again. If appreciated stock is donated, not only are you not paying capital gains on the stock, but you are also receiving the tax deduction for the fair market value of the stock as of the transfer date, for a double-tax benefit.
3. **Reduce flow-through business income**: If you own a business which flows through the net income to your personal tax return, such as a sole-proprietorship, LLC or S Corporation, you can purchase advertising through a charity which both helps the charity and reduces your net income from the business. The reduced net income flows through to your personal tax return resulting in a lower personal taxable income, and the additional business expense will also result in a reduction in your self-employment taxes. Keep in mind though, there needs to be a reasonable business purpose for sponsoring a charitable event and there needs to be a reasonable expectation of financial return in proportion to the amount spent. Proper documentation is always a good practice as well.

4. **QCD for IRA owners**: If you are over 70 ½ and are taking required minimum distributions from an IRA, consider making qualified charitable distributions (QCD) directly from your IRA to the charity. If you take the IRA distribution first and then make the donation, the IRA distribution will be included in your taxable income. By donating to the charity directly from the IRA, the distribution is not included in your taxable income, you receive credit for making your required minimum distribution, and you receive the charitable deduction on your income tax.
5. **Gift and Estates Taxes:** The lifetime gift and estate tax exemption under the new tax laws now permit the transfer of up to $11,180,000 per person, is portable between married couples so an unused amount can be transferred to a spouse for a total of $22,360,000 per married couple, making charitable donations for estate planning less advantageous for all but the ultra-wealthy. However, state level estate and gift tax exemptions limits can vary significantly from the federal level. Charitable contributions may still be beneficial for estate planning, depending on where you live. If you live in Massachusetts, the state exemption limit is $1,000,000 per person and an unused portion of an exemption cannot be shared with a spouse as it can on the federal level.

With so many charities performing much needed and very valuable work, charitable giving is its own reward. But if you can also decrease your tax liability while doing good, it makes it even sweeter.