BusinessManagement DAILY

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# 5 ways to juice charity write-offs

The new Tax Cuts and Jobs Act (TCJA) casts a long shadow over charitable gift-giving in 2018.

**Alert:** Due to several changes in the TCJA, there is less tax incentive to give to charity. Because many taxpayers are no longer itemizing deductions, they will get zero tax benefit from their contributions.

As a result, take steps to maximize charitable deductions, when possible.

*Here's the whole story:* When you file your personal tax return, you choose between itemizing and the standard deduction. Prior to the TCJA, moderate-to-high income taxpayers often itemized, since their total itemizable deductions exceeded the standard deduction amount.

But the new law almost doubles the standard deduction amounts to $12,000 for single filers and $24,000 for joint filers. At the same time, it reduces or eliminates several itemized deductions other than the one for charitable deductions. These changes are effective for 2018 through 2025.

Now that the tax dynamic has shifted, here are five tax strategies to boost your tax fortunes.

**1. Bunch your gifts.** It's simple: Bunch two years' worth of gifts into years in which you expect to itemize deductions. For other years when you think you'll claim the standard deduction, cut back on gifts or skip them altogether.

Check where you stand at midyear. This can influence your charitable giving program for the rest of 2018.

***Tip:*** This strategy is similar to the traditional one for bunching expenses for elective medical and dental procedures and vision care.

**2. Set up a donor-advised fund.** With a donor-advised fund (DAF), you generally transfer a significant lump sum to an organization that manages the fund. In return, you can claim a current charitable deduction for the lump sum amount. Then you designate which charities will receive the money.

Significantly, you're entitled to a charitable write-off for the year in which you transfer funds to a DAF, even if money is actually paid out in later years.

***Tip:*** This works like bunching in that deductions are available for the years when you transfer significant amounts to the DAF.

**3. Give away appreciated property.** When you donate property that would have produced long-term capital gain if you had sold it (i.e., property owned longer than one year), you can generally deduct the property's current fair market value (FMV), instead of its cost. This will likely provide a sizeable deduction.

This technique is often used for works of art and valuable collectibles. *Important:* You avoid any tax on the donated property's appreciation in value—forever.

***Tip:*** Conversely, you might hold onto short-term capital gain property.


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**4. Make it a matter of trust.** Another popular technique is to set up a charitable remainder trust (CRT) and transfer assets to it. The CRT pays out an annual income to a designated beneficiary and the charity is entitled to the remainder after the term expires. Your deduction is based on the value of the remainder interest at the time of the transfer.

***Tip:*** The CRT is irrevocable. Once you transfer assets, you can’t get them back.

**5. Donate from an IRA.** If you’re age 70½ or over, you can make a cash donation, called a qualified charitable contribution (QCD), of up to $100,000 per year to one or more IRS-approved charities. You can’t deduct QCDs but they are not taxable.

***Tip:*** The QCDs count toward your required minimum distribution (RMD) obligation for the year. You must take annual RMDs from traditional IRAs after age 70½.

## Charitable deductions for all?

There’s some hope for taxpayers who won’t itemize deductions this year.

**Update:** New proposed legislation allows non-itemizers to take charitable deductions. Under the “Charitable Giving Deduction Act,” a bipartisan measure, an above-the-line deduction would be available to charitable givers.

As the bill is currently written, there’s no dollar cap on contributions. We will keep a close watch on its progress in Congress.


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