

Charitable Giving and the 2017 Tax Reform Impact

Many people donate to charity for moral, legacy and faith purposes. In addition, many also give to achieve tax benefits. In the fourth quarter of 2017, comprehensive tax reform passed in the United States. The goal was to reduce taxes and simplify the tax code, including repealing and/or reducing many previous deductions. The charitable deduction was the only widely used deduction that was not limited under the new law.

Giving to charity by check, credit card, and payroll deduction remain the most common forms of charitable contributions. In the new tax law, gifts of cash can eliminate tax on up to 60% of your adjusted gross income. There is a five-year carry over for amounts not used in a given year.

Depending on your income tax rate, itemizing deductions may reduce your federal and state income taxes. For higher income taxpayers the new tax law repealed the provision of requiring a reduction in itemized deductions by a percentage of income. The full value of deductions is allowable in 2018 and beyond.

To take advantage of the full tax benefit, a taxpayer can take the greater of total deductions (including deductible mortgage interest, allowable state taxes and charitable gifts) or the standard deduction amount from income.

The new law also allows for advantageous gifts of appreciated stock. A deduction for full market value (including any gain on stocks owned for more than one year) can be made when gifting the securities.

Special tax benefits remain for gifting from retirement accounts. The Required Minimum Distribution from an IRA for taxpayers age 70 ½ and older can be gifted in part or in full up to \$100,000 per year directly to a charity. The amount given can minimize, or eliminate taxes on the withdrawn amount and be removed from your estate, and income in the year transferred – still counting as an RMD. This is called the “Qualified Charitable Distribution” (QCD) when directly transferred to a charity. You may work with your broker to have this processed this way.

For more information regarding the impact of the new tax law, please seek the advice of your tax professional.