Giving to Charity: Mind the Deadline—And New Tax Rules

’Tis the season for giving. That also applies for charitable gifts, which must be made by December 31, 2018 in order to be deducted on your 2018 tax return.

For the 2018 tax year, many will find that they can no longer deduct charitable contributions. Why? Because this deduction is not available to those who choose the standard deduction, which was nearly doubled under the Tax Cuts and Jobs Act of 2017 (TCJA). An individual will need to come up with total deductible expenses of more than $12,000 in 2018 ($24,000 for joint filers) in order to itemize and claim the charitable contributions deduction. What’s more, TCJA established a $10,000 maximum on itemized deductions for state and local taxes paid during the year ($5,000 for married individuals filing separately), making it even harder to top the standard deduction, particularly for those in high-tax states.

If You Itemize…

For those whose itemized deductions do exceed these thresholds, here is a summary of the rules governing the deduction of charitable contributions.

- Your total charitable deduction generally cannot exceed 60% of your adjusted gross income (AGI), up from 50% last year. There is no longer an overall l imitation on itemized deductions based on your AGI.
- Deductions must be made to a qualified charitable organization that is religious, charitable, educational, scientific, or literary in purpose and recognized as such by the IRS.
- Contributions must be paid in cash or other property before the close of the tax year.
- If you receive a benefit as a result of making a contribution to a qualified organization, you can generally deduct only the amount of your contribution that is more than the value of the benefit you receive.
- For gifts of $250 or more, you must have a statement from the organization showing the amount of any money contributed, a description of any property donated, and whether the organization gave you any goods or services in return for your contribution.
- Additional reporting is required for donations over $500.
- If you contribute property to a qualified organization, the amount of your charitable contribution is generally the fair market value of the property at the time of the contribution.

If You Take The Standard Deduction…

For those who do *not* reach the itemization threshold, there are several strategies you may wish to consider when making charitable contributions.

- **Bunching.** Rather than giving a small amount every year, give a larger amount every other year. For example, instead of giving $1,000 to charity annually, give $2,000 every two years. This may help you to surpass the itemization threshold in alternate years, and allow you to take a deduction for all your charitable contributions.
- **Giving appreciated investments**. The IRS allows donors to deduct an investments' full market value (subject to certain limits) without having to pay capital gains tax on the appreciation. For example, if you donate stock shares originally purchased for $1,000 but currently worth $10,000, you can take the $10,000 deduction without having to pay capital gains tax on the $9,000 appreciation.
- **Contributing through an IRA**. For donors who are age 70½ or older, direct contributions of up to $100,000 can be counted toward their required yearly IRA distributions and will not be included in their taxable income.
- **Contributing to a donor-advised fund.** With this strategy, you make a large contribution in one tax year to establish or add to a donor-advised fund -- one large enough to enable you to itemize deductions that year. In subsequent years, when your deductible expenses are not large enough to itemize, you can ask the donor-advised fund to make a distribution to a specified charity, thereby continuing your support to it.

Whether you itemize or not, make sure to keep accurate records of all your donations, such as receipts, canceled checks, or credit card statements. To learn more about the tax rules on charitable donations, see IRS Publication 526.

Footnotes/Disclaimers

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

Source: Charitable contributions: Publication 526 https://www.irs.gov/pub/irs-pdf/p526.pdf (Note: Publication 526 has not been updated for 2018)
https://www.irs.gov/pub/irs-dft/i1040sca--dft.pdf
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