Implications of the New Tax Bill on Donors

2018

WHAT HAS CHANGED

- Doubling the standard deduction, from $6,000 to $12,000 for individual taxpayers, and, for couples, from $12,000 to $24,000. With the higher standard deduction, it is likely that fewer taxpayers will itemize, including their donations to charities, churches and nonprofits.
- Cash contributions to public charities and certain private foundations are now deductible up to 60% of the donor's contribution base.
- The estate and gift tax exemption will be expanded to $11 million for individuals and to $22 million for couples for estates of decedents dying and gifts made after December 31, 2017.
- Donors in high-property tax, high-income states could face a new cap of $10,000 on deductions for local property taxes and state and local income taxes.
- All personal exemptions have been eliminated.
- The individual tax cuts expire on December 31, 2025.

IMPLICATIONS

"Most people give because they want to make a difference, and tax incentives are not *why* they give," said one financial expert. "But taxes and incentives may dictate how they give, and these are options some donors may take to be charitable and be effective with their taxes at the same time."

- **Discretionary Income:** People making more than $700,000 could see a 2.2% increase in after-tax income. Middle-class taxpayers will likely see an increase of 1% to 1.5%, on average. There will be lots of change.
- **Doubling of the Standard Deduction:** The standard deduction was doubled for all taxpayers, with married couples filling together seeing a standard deduction of $24,000, not $12,000. Therefore, the threshold to take advantage of the charitable deduction (or any itemized deduction) is that much higher.

Every household's situation is going to be unique. Those who give motivated by charitable causes may now have more disposable income from which to give, while those encouraged by tax deductions may take a second look at their giving.

OPTIONS

Stock Gifts: Those who give stock are probably paying enough taxes to itemize. But, even if they don't itemize, gifts of stock will likely continue to be a popular way to donate.

IRA Rollovers: People age 701/2 or older can contribute up to $100,000 of IRA assets directly to one or more charities. The choice to give isn't affected by any deduction.

Planned Gifts: Because the threshold for being able to take advantage of the charitable deduction is much higher now, older donors who have stock, but may be wary of the bullish stock market coming to an end sometime in the near future, may look positively on a planned giving option.

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