The Tax Implications of New Tax Law on Charitable Donations and What to Do about It

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Beginning in 2018, depending on your personal financial situation, you may no longer see a tax benefit from making charitable contributions. Under the new Tax Cuts and Jobs Act, the standard deduction has doubled to $24,000 for married filing joint (plus $1250 if age 65 or older) and $12,000 for single (plus $1550 if 65+). If your itemized deductions (charitable plus others) do not exceed your standard deduction, you would not itemize, and you would not have a tax benefit from charitable contributions.

However, if you have a traditional IRA account and are over age 70-1/2, you *are* able to get a tax benefit from your charitable contributions. Here's how: Ask your IRA custodian to transfer money directly from your IRA to your chosen eligible charity(ies). This is called a Qualified Charitable Distribution (QCD) That amount would be a "withdrawal" (and, by your choice, can count towards or exceed your Required Minimum Distribution for the year, to a maximum of $100,000 per year). Under the rules for such transfers, since the money withdrawn goes directly to the charity, it is not counted as part of your Adjusted Gross Income (AGI). So even though you don't get a benefit for your contribution in the form of a tax deduction, you do benefit by avoiding a higher AGI (and taxable income). The net benefit is the same.

Another way to continue to benefit from charitable contributions would be to "bunch" your contributions for two or three years into a single year. If you want to do this but still spread out when the charities receive your money, you could open a "donor-advised" charitable trust through a broker or banker, such as Fidelity or Bank of America (Merrill Lynch) for an annual fee. Your donations to the trust are tax-deductible in the year you make them (large enough to itemize), and then you can instruct your broker to make grants to your charities over time. (Note: Donations from your IRA to a donor-advised fund do not qualify as a QCD as described above.)

The following interpretation is offered by Bill Couchman, an OLLI-UA Central Tucson member, who works for BlockAdvisors, a unit of H&R Block.

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March 4, 2018