Jewish Federation & Foundation
OF GREATER TOLEDO

Understanding the New Tax Laws from 2018

December 2018

January 2018 ushered in the most comprehensive tax law change in more than 30 years, and this law has important implications if you plan to make charitable contributions this year or in the future. Here's a brief rundown to help you give wisely (unless Congress acts before December 31, 2025, these rules will revert back to those in effect in 2017):

Income tax planning, as a part of estate planning, is more important than ever because untaxed retirement accounts make up a growing percentage of estate value. Since they will be taxable to heirs, you should consider using these untaxed assets to fulfill charitable bequests and leave other appreciating assets, such as real estate, to individuals.

Although the personal exemption was eliminated by the new law, the standard deduction was nearly doubled. It's now $12,000 for single people and $24,000 for married couples filing jointly; for taxpayers who are 65 or older, blind or disabled, an additional $1,300 is available.

While the charitable deduction was left unchanged, your ability to claim the charitable contribution deduction may depend on whether you have enough other itemized deductions to exceed the standard deduction.

If you are able to itemize, gifts of cash are now deductible up to 60% of adjusted gross income (up from 50%); gifts of stock remain deductible up to 30% of income. You still have up to six years to use your charitable deductions before they are lost.

Charitable Options

If you are unable to itemize your deductions, including charitable contributions, there are several attractive giving options and techniques to consider. Some may let you itemize periodically, keep income off your tax returns or return income to you.

Giving options and techniques to consider include:

- **Bunching or bundling itemized deductions** Donors having the flexibility to time the payment of qualifying deductible expenses may want to consider bunching or bundling these expenses, including charitable gifts, into alternate years. This may increase the likelihood of being able to itemize deductions in alternate years. If you make charitable gifts this way, you could notify the charity that your larger gift is for a two-year or more period.
- **Donor-advised funds** With this technique, you can make a large contribution in one tax year to establish or add to a donor-advised fund. If the gift is large enough, you may be able to itemize deductions that year. In subsequent years, when your deductible expenses are not large enough to itemize, you can request a distribution from your donor-advised fund to a favorite charity, thereby continuing your support to it.
- **Gifts that return income** Sometimes, you might like to make a charitable gift but you also need income. In these cases, a charitable gift annuity or a charitable remainder trust may be the answer. Because these gifts require larger amounts, you may be able to itemize in the year they are funded. Only a portion of the contribution is deductible, however, because the donor receives income for life or for a period of years. These gifts are usually funded with cash, stock or real estate.
- **Choosing the right assets** Choosing the right assets to contribute to a charity is very important. For outright gifts made during your lifetime, consider using highly appreciated assets such as stock. This way, you avoid owing capital gains tax on the appreciation and can claim the full value of the assets as a charitable contribution. If you make a donation this way to fund an income-returning gift (a charitable gift annuity or charitable remainder trust), you postpone the recognition of the capital gain and typically pay it in smaller amounts over a period of years.
- **Charitable rollovers or qualified charitable distributions** Taxpayers who are 70 ½ or older and required to take minimum distributions from their retirement accounts may request that the plan administrator make a distribution directly from their account to a qualified charity. If done correctly, the income won't be added to taxable income, but you won't receive a charitable contribution deduction either. Although it's a wash for the taxpayer, the charity receives a nice contribution.
- **Charitable bequests and beneficiary designations** By including charitable gifts in your estate plan, you express your values to family and friends. Some ways to do this include: creating an extra share for charity; leaving a specific dollar amount or item of property to charity; designating that a percentage of the estate go to charity and naming a charity as the full or partial beneficiary of either a life insurance policy, investment account, bank account or any account that transfers by beneficiary designation.

For more information on the above options, please contact either Arleen R. Levine at 419-724-0355/arleen@jewishtoledo.org or Tina Stieben at 419-724-0371/tina@jewishtoledo.org.

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EXCERPT FROM FORBES ARTICLE FROM MARCH 18,2018-*WHAT THE NEW TAX LAW MEANS TO YOUR CHARITABLE GIVING*