

## **How do the changes to the tax code affect the benefits of charitable giving?**

While the new tax law preserves the deduction for charitable contributions, it increases the standard deduction. As a result, many taxpayers may now find it more beneficial to just take the standard deduction than to itemize.

Currently, only about 30% of taxpayers itemize their deductions, according to the IRS. It has been estimated that fewer than 10% of taxpayers will continue to itemize under the new law. The change will be most apparent to taxpayers who itemize their deductions and give small to moderate amounts to charity. This group will likely find that the increased standard deduction will lower their tax bill more than itemizing would, and will end up not taking the charitable deduction.

On the other hand, those who continue to have larger annual itemized deductions, including substantial charitable donations, are less likely to be affected by this issue, because their donations along with their other deductions will tend to be greater than the standard deduction. If their itemized deductions surpass the standard deduction, they are likely to continue to itemize and get the full tax benefit of their charitable contributions.

In other words, it's not that the new rules scale back the tax benefits of donating to charity. It's that many taxpayers may find it makes more sense not to claim them now that the standard deduction has been increased.

Either way, giving to charity is valuable for reasons that go beyond the tax benefits, so we would encourage people to think carefully before making any major changes to their charitable plans.

### **Should I do anything now?**

One option would be to increase your giving. If you give more, your total itemized deductions could end up being larger than the increased standard deduction.

#### *Here's an example:*

Let's say a married couple has \$23,500 of itemized expenses, including a \$2,000 donation to a qualified charity. If the couple donated an additional \$1,000 to that charity, their itemized expenses would surpass the \$24,000 standard deduction for couples (\$12,000 for individuals) and make it possible to claim the charitable deduction.

It is also worthwhile to explore more tax-efficient options for charitable giving, such as contributions of qualified appreciated stocks, bonds, or mutual funds. Please contact your tax advisor to keep you informed on current charitable giving benefits and options.

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