With the new tax law, many individual taxpayers need to exercise new discipline to maximize their tax savings by coordinating charitable deductions with other itemized deductions.

HOW TO PLAN AFTER THE 2018 TAX REFORM

Starting in 2018, new tax laws will be changing the way most individuals claim charitable deductions on their taxes. With lower itemized deductions and a higher standard deduction, it is estimated that over 90% of taxpayers will claim the standard deduction each year.[1] This means that charitable donations will not be deductible for most taxpayers unless they plan ahead. The major tax changes are below:

HIGHER STANDARD DEDUCTION:

- $5,660 increase for single claimers
- $11,300 increase for married filing jointly claimers

REDUCTION IN ITEMIZED DEDUCTIONS:

- Deduction for State and Local Taxes (SALT) limited to $10,000[2] (No limit previously)
- Deductibility of home mortgage interest reduced to $750,000 of mortgage indebtedness (previously $1,000,000)
- Elimination of deductibility of home equity interest
- Elimination of miscellaneous itemized deductions

The following table illustrates how a married couple could save $54,000 just by planning their charitable deductions:

	Without Tax Planning		With Tax Planning	
Year	Charitable Donation	Tax Deduction	Charitable Donation	Tax Deduction
1	$10,000	$24,000	$30,000	$42,000
2	$10,000	$24,000		$24,000
3	$10,000	$24,000		$24,000
4	$10,000	$24,000	$30,000	$42,000
5	$10,000	$24,000		$24,000
6	$10,000	$24,000		$24,000
7	$10,000	$24,000	$30,000	$42,000
8	$10,000	$24,000		$24,000
9	$10,000	$24,000		$24,000
	Net to Charity: $90,000 **Net Tax Deduction: $216,000**		**Net to Charity: $90,000** **Net Tax Deduction: $270,000**[23]	

[1] IRS Statistics of Income Public Use File 2009 and CPS 2014 Interpreted by Forbes Contributor Ryan Ellis.

[2] SALT Deduction includes real and personal property taxes, state and local income taxes and general sales taxes.

[23] Assumes non-charitable itemized deductions of $12,000 per year.

USING A DONOR ADVISED FUND (DAF) TO BUNCH DONATIONS

A donor advised fund (DAF) can be used as a critical tool to bunch multiple years' worth of donations into a single year to accomplish two goals: (a) saving money by bunching (see previous illustration; and (b) levelling and controlling cash flow being delivered to intended charities.

Gifts to a DAF are deductible in the year of transfer into the DAF, not necessarily at the time that the money goes to the charity. As a result, you can combine two, three, or more, years of charitable contributions into one calendar year to exceed the standard deduction in that year. Then, you can direct the DAF to consistently support your favorite charities, even in years when you take the standard deduction instead of itemizing.

Assets in your DAF are invested according to your preferences, so the charitable dollars you give in years that you "bunch" your contributions above the standard deduction can continue growing tax-free in the DAF.

CONCLUSION

With tax planning, families can strategically bunch several years of donations into one year, enabling them to itemize in contribution years, and take the standard deduction in off years.

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