

# 2018 Tax Law Changes and Charitable Giving Fact Sheet

Upheaval. Turmoil. Concern. These are just a few of the words that come to mind when hearing about all of the changes to the tax laws starting in 2018. Will my taxes go up and/or my refund go down? Will I still benefit from the charitable tax deduction? Is there anything I can be doing now to improve my tax situation in 2018?

At the United Way of Greater Richmond & Petersburg, we are getting these exact questions from donors. Nonprofits are wondering whether they should expect a huge drop in donations starting this year. There has been so much confusion about philanthropy and the new tax bill, that we thought we would try to address some of the biggest issues here. Keep in mind, too, that most of the changes go into effect in 2018, so you might not realize the differences until you do your 2018 tax return in 2019.

## Will Your Taxes Go Up or Down?

According to the Tax Policy Center, the new tax bill will reduce taxes for Americans in all income groups in 2018 — increasing after-tax income by an average of 2.2 percent. So, while some aspects of the law may negatively impact certain individuals, the reduction of the tax bracket rates and the increase in the standard deduction will likely impact most positively. Nevertheless, we recommend sitting down with your accountant early in the year to determine if there are any anticipated tax losses that impact your situation and to explore options well before the end of the year.

Standard Deduction + Personal Exemption		
Filing Status	2017	2018
Single	\$6,350	\$12,000
Married Jointly	\$12,700	\$24,000
Head of Household	\$9,350	\$18,000
Personal Exemption	\$4,050	\$0

The main items that could negatively impact your overall tax situation are:

- Capping of the State and Local Tax deduction at \$10,000
- Loss of the Personal Exemption
- Capping of the Mortgage Interest deduction for loans over \$750,000. (Note: This is for new mortgages after 12/14/17. For existing mortgages you won't lose any of your interest.)

## Will There Still be a Charitable Income Tax Deduction?

First and foremost: Yes, for 2018 you will still be able to deduct your charitable donations! This vital part of our tax system will continue to benefit many folks who choose to give to charity.

That said, next year many taxpayers will find greater advantage in choosing the standard deduction, rather than itemizing charitable gifts and other deductions. That's because the new tax law has essentially doubled the standard deduction for most Americans.

Will charities see a dramatic decline in donations? It is hard to tell, but remember: About two-thirds of all Americans contribute to charity, and at least half of them do so without itemizing their donations. We believe people give when a charity touches their heart, when they see charitable organizations doing good things for the world. Here in the Greater Richmond & Petersburg region, we are a generous community, and residents often give for no benefit, without recognition, just because they want to help people.

Now, no one wants to pay more taxes than they have to, so even if you don't think you'll itemize on your tax return next year, there are still some smart strategies that may help reduce your tax bill. **Talk to your accountant now to see if you should use any of these strategies this year.**

**IRA Rollover Contributions:** This is a good one. If you are age 70½ or older and you have an IRA, consider donating to your favorite charity(s) directly from your IRA. This is a fantastic strategy whether you are itemizing or not, because money donated directly from your IRA to charity is never even added to your income to begin with, yielding a much better bottom line on your tax return. Best of all, donations from your IRA “count” toward your required minimum distribution—great news if you don't need your IRA for income right now, but are forced to take it because of your age.

**Gifts of Stock or Real Estate:** If you are blessed to have a portfolio that includes a variety of resources, consider gifts of appreciated assets, like securities or property. Even if you don't itemize, donating your appreciated assets may help you avoid the capital gains tax—which, incidentally, did not decrease with the new tax law. Ask your accountant if you'd benefit from shifting some of your philanthropy from cash gifts to gifts of stock or real estate.

**Gift Bundling:** Perhaps you contribute each year to charity, and perhaps your budget is somewhat flexible. Consider bundling the donations you might have made over several years into one gift in one year to a Donor-Advised Fund. The new tax bill gives you greater accommodation to do this; the law now allows you to deduct up to 60% of your adjusted gross income for cash gifts, an increase from last year. If you can combine your gifts into one year, they could qualify for itemization, and you can use your new Donor-Advised Fund to benefit your favorite charities for many years to come. It can be your legacy fund for long-term philanthropy.

## **Estate Tax Changes**

There's one last major change to the tax law that may affect your philanthropy, which is the doubling of the estate tax exemption from \$5.6 million per person to \$11.2 million per person. Additionally, the generation skipping transfer tax has increased, as has the gift tax annual exclusion. This may sound like mumbo-jumbo, but this is a big deal for some families.

If this could affect your estate, be sure to meet with your advisors to discuss your plans accordingly. And if you're redoing your plans, now's the time to consider how a reduced tax bill could enable your family to make a planned gift that will help your community forever and establish your philanthropic legacy.

So, should you still give, in light of the new tax bill? **Absolutely.** For some donors, there are new giving strategies to consider that will take best advantage of the new tax law. And for all donors, please continue to support the charities that inspire you, that are making your community a better place to live, work and play.

For more information, take a look at [this IRS guide](#). If you would like to talk about the ideas contained in this piece, please contact:

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