By **Patricia C. Marcin**, Esq. © 2018, resident writer

WILLS, TRUSTS & ESTATES: PLAIN AND SIMPLE

SHOULD I MAXIMIZE MY *Charitable Giving* BEFORE YEAR END?

The standard deduction (i.e., the amount you can deduct from your adjusted gross income without itemizing deductions) under the new tax law has increased to $24,000 for married couples and $12,000 for individuals. You are unable to itemize your income tax deductions unless the total of such deductions exceeds the standard deduction. Since charitable donations are deductible only if you itemize your deductions, it is possible that you may not be able to deduct such donations on your income tax returns. The new limit of $10,000 on deductions of state and local taxes (ex., real estate taxes) exacerbates this issue.

In view of the new deduction limits, it may make sense to bunch up your donations to charity in a single year, so that your itemized deductions for one year total more than the standard deduction amount. For example, assume you typically make charitable gifts of $4,000 each year; your 2018 real property tax deduction is $10,000 (the maximum allowed), and your mortgage interest deduction is $10,000. You would not exceed the $24,000 standard deduction for couples and would lose the ability to deduct your charitable donations for 2018. Instead, you could double your charitable gifts in 2018 to increase your itemized deductions to $28,000, thereby exceeding the standard deduction amount, and permitting you to deduct such gifts for 2018. If desired, you could then reduce your charitable gifts in 2019.

If you prefer to spread out your charitable giving over several years or are not sure about which charitable causes you feel the most passionate, you may want to consider creating a donor-advised fund. Donor-advised funds, such as those offered by the Long Island Community Foundation, allow you to bunch several years of charitable donations into the year in which you make the donation to your donor-advised fund. If you donated $12,000 to your donor-advised fund in 2018, you could itemize those gifts in 2018 (assuming your total itemized deductions exceed the standard deduction amount), but pay your usual $4,000 per year to the charities you choose over three years (i.e., $4,000 in each of 2018, 2019 and 2020).

Note that donor-advised funds are treated as public charities for income tax purposes, so a taxpayer can deduct cash donations to his or her donor-advised fund (or any public charity) up to the maximum of 60% of adjusted gross income, assuming he or she can itemize deductions in that year. Proper planning of your charitable donations can have significant income tax consequences and can make this holiday season more joyous for all. Happy holidays!

If there is a trusts or estates topic that you would like to know more about, please feel free to email me at pmarcin@farrellfritz.com with your suggestion and I will do my best to cover it in a future column.

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