Shavano LIVING

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The **Okulicz** *Family*

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GIVING BACK & YOUR TAXES

'Tis the season for giving, but consider how recent tax changes affect your charitable contributions before you open your wallet. Whether your donations result in lower taxes depends on highly individualized factors. Seemingly huge tax breaks may not pan out for even generous givers who haven't rethought their tax strategies. Those strategies now include tools like donor-advised funds.

So, how does it all work?

Now that the standard tax deduction is set at $24,000 for married couples filing jointly ($12,000 for single filers), it's harder than ever for the average American to be eligible for extra charitable contribution deductions. The $10,000 limit on deductions for state and local taxes (including property tax and mortgage interest) doesn't help. In fact, the National Council of Nonprofits estimates that 87 percent of taxpayers no longer have a compelling reason to itemize their deductions and, thus, miss out on specific deductions when they donate.

If your giving puts you just under the threshold, certain strategies can help. One of the most popular is called "bunching." This strategy centers on skipping a year or two of giving to "save up" enough contributions to push past the standard deduction threshold in a single year.

As you can imagine, bunching isn't ideal for donation-based organizations that rely on regular, predictable giving. Options like donor-advised funds (DAFs) provide a balance. The growing trend can be described as a personal charitable savings account. Funds can be grouped into one donation in one single year and then potentially grow in value tax-free while being distributed over time to the charitable organization administering it. Another interesting aspect of DAFs? They can be used to donate more than cash. Many individuals donate closely held stock, real estate, and personal property like jewelry and artwork through DAFs.

However you decide to donate, avoid common pitfalls and:

Give to a DAF or 501(c)3 in good standing. Only donations given to organizations that meet this requirement qualify for tax deductions. The IRS has a new Tax-Exempt Organization Search (TEOS) tool available online to check the status of nonprofits. Crowdfunding sites like GoFundMe and Kickstarter don't qualify, and any money given to campaigns through those types of sites are not tax-deductible.

Obtain the right paperwork. Contributions of $250 or more in cash and $500 or more in non-cash assets require what the IRS calls a "contemporaneous written acknowledgment" from the donee organization with particular information included. Simply receiving a blank pledge card to fill out won't cut it.

Be careful about gaining other benefits. If you receive a benefit in return for your donation, such as merchandise, tickets to a ball game, or other goods and services, then you can deduct only the amount that exceeds the fair market value of the benefit received.

Besides DAFs, there are dozens of ways to donate to charities you may not have considered before. If you're over age 70 ½, for instance, you can donate up to $100,000 from your IRA as part of your Required Minimum Distribution. If you've had a windfall year, perhaps through business or real estate success, those gains may give you a reason beyond overcoming your standard deduction threshold to bump up charitable giving before the end of the year. Talk to a tax professional about your options.

Steven Bankler has more than 40 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations and estate planning. For past *Shavano Living* tax tips and to learn more about Steven Bankler, CPA, Ltd., visit www.bankler.com.