

## Will Charitable Contributions Cut Your Tax Bill?

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Will your 2018 charitable contributions have an impact on your tax bill? While tax reform allows taxpayers to continue deducting qualified charitable contributions, a number of changes to the tax code will impact the tax effect that contributions have in a given year.

Changes ushered in by the Tax Cut and Jobs Act will reduce the number of taxpayers who will utilize the charitable contribution deduction. While the Tax Cut and Jobs Act leave the charitable contribution deduction in place, taxpayers will only be able to take advantage of it if they have enough deductions to itemize. Given the fact that the new law nearly doubles the standard deduction, the number of taxpayers who itemize will decrease. Additionally, starting in 2018 lower tax rates for most will reduce the impact charitable contributions have on an individual's tax liability.

The limitation on cash contributions made in tax years beginning after December 31, 2017 has been increased from 50% of contribution base (AGI less any NOL carryback to that year) to 60% on cash donations to a qualified charity. This limitation increase is strictly applied to cash contributions only and is reduced back down to the 50% limitation if any amounts of non-cash assets are donated during the tax year.

For taxpayers who plan on making cash contributions in excess of the 60% limitation, the new law leaves the five year carryover period for charitable contributions that were unable to be deducted untouched. If a taxpayer is planning on contributing more than 60% of their contribution base in any given year, they will want to be confident that they will be able to itemize in future years to ensure their charitable contribution carryover is not forfeited.

Even though the Tax Cut and Jobs Act leaves the charitable contribution deduction intact, the increased standard deduction, lower tax rates, and the new deduction limitation gives taxpayers something to think about when looking at a charitable deduction as a tax savings strategy.

**For more information, please contact:**



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