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"Ding" Darling Wildlife Society - Friends of the Refuge



The holiday season is fast approaching. It's the time when people traditionally make gifts to charities. Generally, year-end donations increase the charitable deduction you can claim on the personal tax return you'll file the next year. But 2018 is different from most previous tax years.

From 2018 through 2025, the Tax Cuts and Jobs Act (TCJA) nearly doubles the standard deduction to \$12,000 for single filers and \$24,000 for joint filers. The TCJA also reduces or eliminates several itemized deductions.

As a result, millions of taxpayers who previously itemized deductions will instead claim the standard deduction for 2018, thereby eliminating the tax benefit from their charitable donations. Does it make more sense for you to itemize deductions or to take the standard deduction on your 2018 return? The answer to this question will determine your overall strategy for the rest of the year.

For those who will continue to itemize, it's important to be creative at year end. Here is a way to maximize the tax savings from your donations.

Transfer Funds from Your IRA

People age 70½ or older can choose to transfer funds directly from an IRA to a qualified charitable organization. Although the contribution isn't deductible, it's not subject to income tax, either. But because the donated IRA money would otherwise be taxed when you withdraw it, this treatment equates to a 100% deduction for the amount donated to charity.

The maximum amount you can transfer each year is \$100,000. If your spouse has one or more IRAs set up in his or her own name and is also age 70½ or older, your spouse is entitled to a separate \$100,000 annual limit.

To qualify for this tax break, the distribution must go directly from the IRA trustee to the charitable organization. In other words, the funds cannot pass through your hands on the way to the charity.

The transfer also counts as a required minimum distribution (RMD). Taxpayers age 70½ or older are required to take RMDs from their IRAs every year. So, you can effectively replace taxable RMDs with tax-free transfers to charity.

Act Now

There's still time in 2018 to make moves that can cut your tax bill. Contact your tax advisor to review your personal situation and help modify your charitable giving strategy based on today's tax law. If itemizing deductions is part of your tax plan for 2018 that could be a good reason to be especially generous this holiday season.

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