National Philanthropic Trust

DONOR-ADVISED FUNDS AND TAX LAW CHANGES:

Understanding how new tax law changes may impact your philanthropy

Late last year, Congress passed sweeping changes to tax law. The Tax Cuts and Jobs Act of 2017 altered rates, deductions and credits affecting individuals. Benefits to individual taxpayers included a simplified filing process for personal taxes.

The change in tax deduction incentives, however, has made some donors reconsider their personal philanthropic strategy. Charities are concerned that the laws may reduce their donors' gifts.

Some of these changes may be important for donors like you to understand to develop an informed giving strategy.

A GUIDE TO RECENT CHANGES

- **Standard Deduction Doubled**
  – The standard deduction is now $12,000 for a single filer up from $6,350, and $24,000 for those filing jointly rather than $12,700 in 2017.

- **Top Individual Income Tax Rate Reduced**
  – The top marginal tax rate is now 37%, down from 39.6% in 2017.

- **Cash Contribution Limit Raised**
  – Individuals who make only cash contributions can now deduct up to 60% of their adjusted gross income (AGI), up from 50%. The limit for gifts of non-cash contributions is 30% of AGI. Individuals can supplement non-cash gifts with cash gifts ("stacking" their contributions) to reach 50% of AGI.

- **SALT (State and Local Tax) Deduction Capped**
  – Individuals' ability to deduct their state and local income, sales and property taxes against their federal taxes is now capped at $10,000. Previously, the deduction was unlimited.

WHAT HASN'T CHANGED

- ☑ Donors who contribute more than the tax-deductible limit on their AGI in a single year can still **carry forward** the unused deduction for up to five years.
- ☑ Donors can still take a **fair market value deduction** for contributions of publicly traded securities and other non-cash assets held longer than 12 months.
- ☑ Donors can still **deduct up to 30% of AGI** when contributing non-cash assets to a public charity.

WHAT IT MEANS FOR YOU

The new tax law is an opportunity for you, as a donor, to meet with your advisors and assess the potential impact the Tax Cuts and Jobs Act may have on your individual tax situation.

For many donors, the new tax law has ignited heightened interest in DAFs as a charitable giving solution. The tax benefits you can enjoy with a DAF help you fulfill your giving aspirations and allow you to provide your favorite charities with the security of predictable financial support.

STRATEGIES FOR USING YOUR DAF IN 2018 AND BEYOND

- [x] **Bundling charitable contributions**
  An estimated 96% of taxpayers are now expected to use the newly doubled standard deduction in place of itemization. One strategy to protect your charitable giving and maximize your tax deduction is to ***make larger contributions in less frequent intervals*** into a DAF. "Bundling" your gifts—contributing 2-3 years' worth of charitable gifts at once to a DAF—allows you the flexibility to claim a charitable deduction in year one and to grant the funds out over time.

- [x] **Giving more in high-income years**
  Contributing to a DAF during a high-income year is an opportunity to realize your philanthropic aspirations and maximize charitable tax benefits. Thanks to the reduction of the top individual tax rate and the ***increased deduction limits for cash donations*** from 50% to 60% of AGI, new tax rules make tax-deductible gifts to a DAF even more beneficial in high-income years.

- [x] **Contributing appreciated assets to a DAF**
  If you have appreciated assets, consider contributing them to a DAF. If you donate non-cash assets held longer than one year directly to a public charity, ***you avoid capital gains tax*** while also claiming a fair market value tax deduction. This strategy reduces your tax obligation and makes more money available for causes important to you.

These are just some of the many ways you can use your DAF as an efficient charitable giving vehicle. With these tax changes, using a DAF can be a strategic choice to make the most of your philanthropy.

To get started with your own NPT DAF, call (215) 277-3010 to connect with one of our philanthropic experts, or email taxlaw@nptrust.org.

We would be honored to be your partner in giving.

Determining how the new rules apply to each American is largely dependent on individual factors, such as income bracket and tax deductions. NPT does not provide legal or tax advice. You should consult with your financial and/or tax advisor before making charitable contributions.

NPT BRO DAF TLC 1218