



MISSOURI UNITED METHODIST
FOUNDATION

2018

Options and Opportunities:

**Charitable Giving
and the
New Tax Rules**

Single filers (2018 – 2025):

Tax brackets for single filers

2017		2018	
10%	\$0–\$9,325	10%	\$0–\$9,525
15%	\$9,326–\$37,950	12%	\$9,526–\$38,700
25%	\$37,951–\$91,900	22%	\$38,701–\$82,500
28%	\$91,901–\$191,650	24%	\$82,501–\$157,500
33%	\$191,651–\$416,700	32%	\$157,501–\$200,000
35%	\$416,701–\$418,400	35%	\$200,001–\$500,000
39.6%	\$418,401 or more	37%	\$500,001 or more
Standard deduction:	\$6,350	Standard deduction:	\$12,000
Personal Exemption:	\$4,050	Personal Exemption:	Eliminated

Joint filers (2018 – 2025):

Tax brackets for married taxpayers filing jointly

2017		2018	
10%	\$0–\$18,650	10%	\$0–\$19,050
15%	\$18,651–\$75,900	12%	\$19,051–\$77,400
25%	\$75,901–\$153,100	22%	\$77,401–\$165,000
28%	\$153,101–\$233,350	24%	\$165,001–\$315,000
33%	\$233,351–\$416,700	32%	\$315,001–\$400,000
35%	\$416,701–\$470,700	35%	\$400,001–\$600,000
39.6%	\$470,701 or more	37%	\$600,000 or more
Standard deduction:	\$12,700	Standard deduction:	\$24,000
Personal Exemption:	\$8,100	Personal Exemption:	Eliminated

In 2017, the standard deduction combined with the personal exemption to set a basic level of tax savings. The new law combines those into one larger standard deduction for 2018: \$12,000 for single filers and \$24,000 for joint filers.

Note: Income ranges for each bracket will adjust for inflation in subsequent years.

In addition to the larger standard deduction, the new tax law changes some of the existing deductions. Most notable are the following:

Deductible expense:	2017	2018
Mortgage Interest	Fully deductible on housing debt up to \$1 million	Fully deductible on housing debt up to \$750,000.
Home equity loan interest	Fully deductible	NOT deductible
State & Local Taxes (income, property, sales)	Fully deductible	Deductible up to a maximum of \$10,000
Gifts to Charity	Cash: Deductible up to 50% of AGI Property: Deductible up to 30% of AGI (Unused amounts can carry forward up to five years.)	Cash: Deductible up to 60% of AGI Property: Deductible up to 30% of AGI (Unused amounts can carry forward up to five years.)

In addition, the new law effectively eliminates lifetime gift and estate transfer taxes for most individuals (approximately 99.9% of the population) through 2025. The lifetime exemption is doubled and continues to be indexed for inflation.

	Single 2018	Married 2018
Lifetime exemption = (indexed for inflation)	\$11.2 million	\$22.4 million (assumes proper planning)

There remains an annual gift transfer exclusion that allows gifting to individuals without using any of the lifetime exemption. In 2018 that amount is up to \$15,000 per gift recipient. (That is an increase from the \$14,000 available in 2017 due to the inflationary adjustment.)

Note: If there are no further changes to the law, then most of the changes impacting individuals will revert back in 2026 to the rules that were in effect in 2017. That includes the income tax rates, as well as the estate and gift tax exclusion amounts.

Tax-wise strategies for charitable giving

“Bunching”

In the next tax year (2018), a married couple claims the maximum property and state income tax deduction of \$10,000. This couple also paid \$7,000 in mortgage interest. They will need more than \$7,000 of additional deductions to exceed the new standard deduction of \$24,000.

Their annual donations to their church and other charities total \$4,000. In December of 2018 they decide to pre-pay their 2019 church pledge of \$3,600. This allows them to itemize deductions in 2018 for a total deduction of \$24,600. In 2019, they will use the standard deduction.

By “bunching” charitable gifts every other year, the couple can take better advantage of their deductions.

Donor Advised Fund

In keeping with the idea of bunching charitable gifts, the Donor Advised Fund is a great tool for even more significant bunching over longer periods of time.

A Donor Advised Fund can be created at the Missouri United Methodist Foundation with an initial gift of at least \$10,000. Gifts of any size can be added to the DAF at any time. When a gift is made to the DAF, it is a completed charitable gift.

Consider that same couple opens a DAF and makes a gift to the fund of highly appreciated stock worth \$50,000. The gift is deductible up to 30% of the couple’s Adjusted Gross Income (AGI) with an additional five years to carry forward any unused deduction. In subsequent years the

couple can do their primary charitable giving with distributions from the DAF to their church and other favorite charities.

Appreciated Stock

The new tax law makes no changes to the Capital Gains tax. Therefore, all taxpayers can benefit from the capital gains tax savings of a charitable gift of appreciated stock. (The Foundation processes stock gifts for all Missouri UM churches and organizations.) If a gift of stock also helps a donor exceed the standard deduction, then the income tax savings would accrue as described above.

IRA Rollover Gift

If you are over age 70 1/2 and have a traditional IRA, you can direct your IRA administrator to make gifts to charity directly out of your IRA. Lots of folks have found this to be a great way to support their church. The distribution is not income to the donor and there is no tax deduction, but it counts toward the donor's Required Minimum Distribution. The new tax law does not change these rules, but this option may be even more attractive if you do not need a deduction.

The purpose of this publication is to provide general information and is not intended as legal, accounting or other professional advice. For assistance with planning charitable gifts with tax and other financial implications, the services of appropriate advisors should be obtained. Tax deductions vary based on a variety of factors that may change and that may pertain to your unique situation.



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