

# Size of charitable deductions depends on many factors

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Whether you're claiming charitable deductions on your 2017 return or planning your donations for 2018, be sure you know how much you're allowed to deduct. Your deduction depends on more than just the actual amount you donate.

## Type of gift

One of the biggest factors affecting your deduction is *what* you give:

**Cash.** You may deduct 100% gifts made by check, credit card or payroll deduction.

**Ordinary-income property.** For stocks and bonds held one year or less, inventory and property subject to depreciation recapture, you generally may deduct only the lesser of fair market value or your tax basis.

**Long-term capital gains property.** You may deduct the current fair market value of appreciated stocks and bonds held for more than one year.

**Tangible personal property.** Your deduction depends on the situation:

- If the property *isn't* related to the charity's tax-exempt function (e.g., a painting donated for a charity auction), your deduction is limited to your basis.
- If the property *is* related to the charity's tax-exempt function (e.g., a painting donated to a museum for its collection), you can deduct the fair market value.

**Vehicle.** Unless the vehicle is being used by the charity, you generally may deduct only the amount the charity receives when it sells the vehicle.

**Use of property.** Examples include use of a vacation home and a loan of artwork. Generally, you receive no deduction because it isn't considered a completed gift.

**Services.** You may deduct only your out-of-pocket expenses, not the fair market value of your services. You can deduct 14 cents per charitable mile driven.

## **Other factors**

First, you'll benefit from the charitable deduction only if you itemize deductions rather than claim the standard deduction.

Second, your annual charitable donation deductions may be reduced if they exceed certain income-based limits.

Third, your deduction generally must be reduced by the value of any benefit received from the charity.

Fourth, various substantiation requirements apply, and the charity must be eligible to receive tax-deductible contributions.

## **2018 planning**

While the Tax Cuts and Jobs Act ("TCJA") preserves the charitable deduction, it temporarily makes itemizing less attractive for many taxpayers, reducing the tax benefits of charitable giving for them.

Itemizing saves tax only if itemized deductions exceed the standard deduction. For 2018 through 2025, the TCJA nearly doubles the standard deduction — plus, it limits or eliminates some common itemized deductions. Accordingly, you may no longer have enough itemized deductions to exceed the standard deduction, in which case your charitable donations won't save you tax.

You might be able to preserve your charitable deduction by “bunching” donations into alternating years, so that you'll exceed the standard deduction and can claim a charitable deduction (and other itemized deductions) every other year.

Please let us know if you have questions about how much you can deduct on your 2017 return or what your charitable giving strategy should be going forward because of the TCJA.

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