Montana Community Foundation

Tax Reform and Charitable Giving

What does it mean for you?

With the introduction of tax reform in January 2018, you may be evaluating your finances and wondering what are the most advantageous ways to be charitable. There are many ways you can still make a difference while enjoying financial benefits for yourself.

Tax Law Changes — A Quick Overview

1. NEW INCOME BRACKETS

The new tax law maintains seven tax brackets, but lowers most individual tax rates* including the top marginal rate from 39.6 percent to 37 percent.

The Effect: You may be in a lower bracket this year and pay less taxes, providing an opportunity to give more to the charitable organizations you care about.

2. STANDARD DEDUCTION NEARLY DOUBLED

The standard deduction increased to $24,000 for joint filers and $12,000 for single filers.

The Effect: You are much less likely to itemize on your taxes and use the income tax charitable deduction. You may now have an incentive to give more to charity in one particular year over another (referred to as "bunching") to exceed the standard deduction and itemize your deductions (in the year you bunch).

3. CHARITABLE CONTRIBUTIONS FOR CASH GIFTS

The 50% AGI (Adjusted Gross Income) for cash contributions increased to 60% and retains the 5-year carryover.

The Effect: Donors may consider increasing their cash gifts.

4. ESTATE TAX EXEMPTION

The threshold for triggering an estate gift or generation-skipping tax was raised to $11.2 million per person ($22.4 million for a married couple).

The Effect: Only larger estates will be subject to estate tax under the new law. By comparison, the rates in 2017 were $5.49 million for individuals and $10.98 million for couples.If you have a high net worth, you may no longer be subject to estate tax and have an incentive to make large gifts during your lifetime to obtain a income tax charitable deduction.

***The seven income tax brackets before and after 2018 changes:**

Tax Brackets – Single Filers

New Rate	Current Bracket	Old Rate	Previous Bracket
10%	Up to $9,525	10%	Up to $9,325
12%	$9,526–$38,700	15%	$9,326–$37,950
22%	$38,701–$82,500	25%	$37,951–$91,900
24%	$82,501–$157,500	28%	$91,901–$191,650
32%	$157,501–$200,000	33%	$191,651–$416,700
35%	$200,001–$500,000	35%	$416,701–$418,400
37%	$500,001+	39.6%	$418,401+

Individual Tax Brackets - Married Filing Jointly

New Rate	Current Bracket	Old Rate	Previous Bracket
10%	Up to $19,050	10%	Up to $18,650
12%	$19,051–$77,400	15%	$18,651–$75,900
22%	$77,401–$165,000	25%	$75,901–$153,100
24%	$165,001–$315,000	28%	$153,101–$233,350
32%	$315,001–$400,000	33%	$233,351–$416,700
35%	$400,001–$600,000	35%	$416,701–$470,700
37%	$600,001+	39.6%	$470,701+

Considering these important changes to the tax law, here are some savvy ways to give that will help you continue to meet your charitable and financial goals:

Best Charitable Gifts to Make

Donate Appreciated Stock
With the stock market at or near all-time highs, donate your appreciated securities directly to a nonprofit and eliminate capital gains tax.

Name a Charity as a Beneficiary of Your Retirement Plan Assets
These assets remain taxable when distributed to a loved one, but are tax-free when gifted to a nonprofit.

Give from Your IRA (If Age 70½ or Older)
Regardless of whether you itemize your taxes, this gift helps you fulfill your required minimum distribution and is not considered taxable income. The IRA Charitable Rollover Provision allows you to send up to $100,000 per year (married couples can give up to $100,000 each) to a qualified charity, instead of to the account holder.

Gifts of Real Estate
Many real estate markets are enjoying gains. Appreciated real estate may be subject to capital gains tax unless donated to charity or transferred to a charitable trust.

"Bunch" Your Gifts
"Bunching" is the practice of consolidating multiple years of charitable giving into a single year. This makes it possible for donors to itemize and take advantage of the charitable deduction when the bunched gift combined with other eligible expenses exceeds the standard deduction.

Make a Planned Gift to Qualify for the MT Endowment Tax Credit
Even if you don't use the federal charitable deduction for a planned gift, the Montana Endowment Tax Credit can still be used to offset your Montana income tax liability because it is a dollar for dollar *credit*, not a *deduction*.

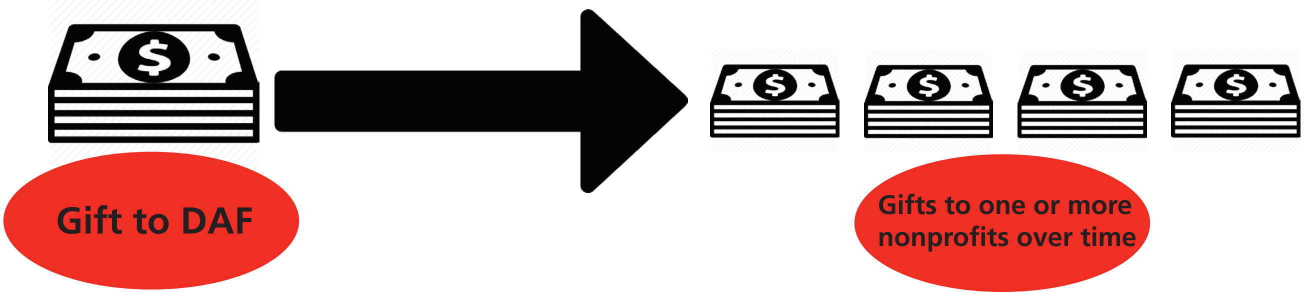
How Montana Community Foundation Can Help

ESTABLISHING A DONOR ADVISED FUND (DAF)

What is a DAF?

Donor Advised Funds are separate funds that are similar to a private foundation without the administrative burden. Donors receive tax benefits at the time the gift is made. Over time, donors can make recommendations about which charities they would like to support from the fund.

“Bunching” into a DAF is an excellent way to exceed the standard tax benefits and for you to maintain typical annual giving patterns to charity by smoothing the contribution income that nonprofits receive.



What are the advantages of a Montana Community Foundation DAF?

- Local knowledge and relationships
- A wealth of possibilities – every aspect of community – arts, economy, environment, wellness, food and agriculture, neighborliness and equity, throughout Montana
- Ability to leverage the contributions of many donors and other partners
- We offer the Montana Charitable Endowment Tax Credit when you name a family DAF as the beneficiary of a planned gift

WHAT CAN YOU DO?
If you don’t already have a DAF, consider starting one. Give our gift planning staff a call to discuss this and other charitable strategies that might be advantageous for you.

Contact Us Today

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MONTANA OFFICE OF GIFT PLANNING
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The information in this publication is not intended as financial or legal advice. Please consult your financial advisor and/or tax professional to determine the best charitable giving strategy for you.

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