INTEGRATED EQUITY
MANAGEMENT

Maximizing Charitable Contributions to “Hold Your Horses” (HYH) Under the New Tax Law

In 2018, the Tax Cuts and Jobs Act made major changes for many households in how they take either the *Standard Deduction* or *Itemized Deduction* on their tax returns.

The standard deduction for individuals is now $12,200 and is $24,400 for couples who file jointly. (A slightly higher limit applies to those over age 65 and for the blind).

Many people who itemize deductions, including donations to charity, will now not exceed the new standard deduction limit. Put another way, if a couple (filing jointly) has mortgage interest of $5,000 annually, maximum property tax and state income tax deductions of up to $10,000 total, the next $9,400 of donations is essentially not deductible due to the higher *standard* deduction of $24,400.

Options for Giving

1. **Write a check to HYH**

Keep in mind this may or may not be tax deductible for you depending on the amount of total itemized deductions you claim.

2. **Bunch your contributions to HYH**

Instead of giving a fixed amount each year, consider giving a larger amount in one year such that you will exceed the standard deduction. Grouping contributions like this is most beneficial to do in high income years.

3. **Donate a highly appreciated asset**

Many people have benefitted from the recent stock market run up and have stocks that are in a substantial long-term capital gain position. As an example, stock “A” may have been purchased a few years ago for $2,000 and now is worth $10,000. This is an ideal asset to gift to charity as you generally (there are limits) are able to deduct the full $10,000 market value given to the charity as well as avoid the $8,000 long-term capital gain and its associated capital gains tax. This is a very efficient way to make gifts to charity and help exceed the new standard deduction limit. Keep in mind, the receiving charity also obtains the proceeds tax-free!

4. **Consider a Donor Advised Fund (DAF) and donate over time to HYH.**

Cash or appreciated securities can be given in a lump sum to a Donor Advised Fund [DAF]. The advantage of the DAF is that the tax deduction on the market value of the security can be taken in the current year even though you choose to make contributions out of the DAF over many years in the future. So, the tax benefit (to the extent it exceeds the standard deduction) is realized now but no deductions are taken in future years when those distributions to HYH are made.. This is an excellent strategy to use if you want to make annual gifts to HYH, maintain flexibility of giving over many years, and receive a current tax deduction now. Using highly appreciated securities makes this even more attractive.

Note: Additionally, any earnings from the DAF are also distributed to HYH tax free!

5. **Time or Talent**

If you are not in a position to donate financially consider donating your time and talent to the mission of HYH.

Provided by our premier sponsor: Integrated Equity Management, Inc., 8009 34th Ave. S., Ste. 1550, Bloomington, MN 55425 -- (952) 854-5544

This is not intended to be legal or accounting advice. It is important to review these concepts with your own tax advisor to determine the impact it would actually have for your situation.