CHARITABLE BUNCHING

SOLUTION FOR THE NEW TAX LAW

SUMMARY

THE STANDARD DEDUCTION

In 2017, the IRS doubled the standard income tax deduction. New tax laws make it advantageous for donors to bunch charitable donations in order to maximize tax deductions.

STANDARD DEDUCTION

Single

Old: $6,500
New: $12,000

Married

Old: $13,000
New: $24,000

START BUNCHING TODAY

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The Signatry
A Global Christian Foundation

THE TAX LAW ILLUSTRATED

The Dilemma:

Scenario 1: Give $8,000 every year to charity

Mr. & Mrs. Jones used to give $8,000 every year to their church. Under the new tax law, they are limited to a $10,000 state and local tax (SALT) deduction, and they have a $5,000 mortgage interest.

$8,000 + $10,000 SALT + $5,000 mortgage = $23,000 deduction

Under the new tax law, it is smarter for them NOT to itemize. With a standard deduction of $24,000, whether they give $8,000 to the church or not, their tax deduction will remain the same.

The Solution: Charitable Bunching

Scenario 2: Give $16,000 one year to a donor advised fund and $0 the next

Mr. & Mrs. Jones decide to bunch their charitable gifts so that their itemized deductions are above the standard deduction.

In 2018, they increase their giving to $16,000. They give $8,000 to their church and put the remaining $8,000 in a donor advised fund. They can now itemize their deductions:

$16,000 + $5,000 mortgage + $10,000 SALT = $31,000 deduction

In 2019, they can claim the $24,000 standard deduction. Their church still receives a check for $8,000 because the Jones had set aside the gift in a donor advised fund.

ANNUAL INCOME TAX DEDUCTION