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What will the new tax law mean to you as you develop your charitable-giving strategies for 2018?

While you may benefit from reduced tax rates and expanded tax brackets, it’s likely that many taxpayers will elect **not to itemize** this year. Rather, they will opt to claim the higher standard deduction ($12,000 for single filers and $24,000 for married filing jointly).

With that in mind, here are several strategies that will help you to minimize taxes, including several that involve donor advised funds (DAFs).*

1. **DAFs enable you to contribute appreciated long term securities**

   By contributing appreciated, long term securities (stocks, property, etc.) you will enjoy an immediate and maximum income tax benefit and avoid capital gains tax on appreciated values. In addition, your fund will avoid estate taxes. Assets can grow tax free and contributions will reduce alternative minimum tax (AMT), if you are subject to AMT.

   Tip: The donor advised fund can facilitate gifts and sale of illiquid assets (closely-held S-Corp and C-Corp shares, limited liability arrangements, real estate, agricultural assets, mineral interests, etc.)…assets that many charities will not accept.

   Tip: On gifts of appreciated, closely-held “S-corp shares,” there are creative ways to structure the gift so as to reduce unrelated business income tax (UBIT) liability.

2. **Execute a qualified charitable distribution (QCD)**

   With the change in tax law last year, people ages 70 ½ (and qualified spouses) are able to direct distribution from their *traditional IRA* to eligible charitable organizations. Amounts distributed count toward your Required Minimum Distribution (RMD). Thus, they reduce the taxable amount of your IRA distribution with no effect on your taxable income. You can take advantage of the higher standard deduction and still avoid taxes on your RMD. It’s a win-win-win strategy that works. If you aren’t age 70 ½, consider positioning your retirement assets to take advantage of these rules once reaching age 70 ½.

Tip: QCDs cannot be made to DAFs, private foundations or supporting organizations. However, iGiftFund offers alternative strategies that do qualify. These include:

- *Designated funds*, where you specify the charity or charities up-front. iGiftFund will make annual distributions to your chosen charities in accordance with your wishes. You can use this popular strategy for any type of charitable grantmaking, such as supporting your church, establishing a scholarship program at your high school or college, endowing charitable organizations or charitable events in your community, etc.
- *Field-of-interest funds,* where you specify certain interests. These can include broad categories such as arts and culture, historic preservation, the environment, health, and more. iGiftFund selects the charity that meets your intended field-of-interest.
- *Unrestricted funds*, where you leave the granting decision to iGiftFund's Board of Directors to meet needs of *your community* as they change over time.

These funding strategies can be endowed, meaning that distributions will be made to your favorite charities, in your name, virtually forever.

Tip: You can always take a normal distribution from your retirement plan, incur the tax liability, contribute the proceeds to a DAF, and mostly offset the federal liability tax with the qualified deduction. This strategy gives you the flexibility of a DAF, but the distribution may affect other taxes, such as your tax on Social Security income.

3. Take advantage of the increase in AGI limits on a contribution of cash

The new tax law increases the AGI limit on contributions you make in cash from 50 percent of AGI to 60 percent, and repeals provisions that, depending on income levels, may have limited your itemized deductions in the past. The result? More of your charitable giving dollars are eligible for itemizing. Again, the donor advised fund acts as your tax-smart philanthropic reservoir to offset the effect of windfall taxable events or fluctuating income. Note, this increase in AGI limits for cash contributions does not apply to private foundations.

4. **Bunch itemized deductions into alternate years to meet increased threshold for itemization**

   A smart strategy for taxpayers whose qualified deductions will not be sufficient to exceed the new standard deductions thresholds is called "bunching." Under this strategy, you double-up and aggregate eligible deductions, including charitable giving, into a single year. This increases your likelihood in that year of being able to itemize deductions, thus exceeding the new standard deduction thresholds. In subsequent years, you can elect to take the higher standard deductions.

   Tip: Your DAF becomes your family's "philanthropic reservoir", grants from which can provide steady and predictable support to your favorite charities over alternate years in a tax efficient manner. Charities will appreciate the consistency this strategy affords.

* *We are not tax experts…you are advised to work with your professional advisors on how the new tax laws will affect you.*

About the Author
Retiring from American Endowment Foundation (AEF) in 2017, Phil Tobin created *iGiftFund* as an independent donor advised fund (DAF) with the goal of creating a unique, personalized donor experience. DAFs have become the fastest-growing form of planned giving in America, outnumbering private foundations three to one, according to the 2017 NPT Report. Phil is among the most experienced DAF experts in the country, having pioneered one of the country's earliest DAFs when he served in the 1980s as CFO of The Cleveland Foundation. Afterwards, he co-founded American Endowment Foundation (AEF) in 1993, which grew by 2016 to become the 21st largest charity in the country.

About iGiftFund
An IRS-recognized, independent, public charity that sponsors donor advised funds, iGiftFund's mission is to inspire donors to create, preserve and distribute their philanthropic legacy and to make a truly remarkable impact on the lives of others, including the donor. Our commitment to donor individuality and personalization is our hallmark, distinguishing us from the large commercial and charity-based DAF sponsors. Based in Hudson, Ohio iGiftFund works nationally with donors and with financial advisors on their familiar investment platform in open architecture. Funds start at $5,000.