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Set Up a Donor Advised Fund in 2018? Plan Now for 2019

Submitted by Charlie Jordan on 05/13/2019 - 01:08

So, your taxes are either filed or extended. How did you fare with the new tax law? Much has been written about the impact of the new federal tax law on allowable itemized deductions. Between the increased standard deduction and major changes to popular areas such as state and local taxes (SALT) and miscellaneous itemized deductions, many taxpayers are finding limited options for reducing their taxable income.

One opportunity though lies in charitable giving, and one versatile tool to use is a donor-advised fund. While some people missed an opportunity set up such a fund in 2018, those that did find that they could have a significant impact on contributing to schools, hospitals and other nonprofits.

A way to take advantage of the new tax law is to “bunch” multiple years worth of charitable contributions in one tax year. In effect, you are pre-paying your charitable contributions for the next few years to receive the maximum amount of tax benefits in a single year. In subsequent years, you can simply take the much-expanded standard deduction “for free.”

For example, a married couple filing jointly that normally makes \$20,000 in annual charitable contributions decided to give \$60,000 in 2019 for a three-year period. By combining their \$60,000 contribution with a \$10,000 deduction for their local and state income taxes, they could deduct \$70,000 on last year’s federal income tax returns. In 2020 and 2021, they will take the standard deduction allowed by law, which is currently \$24,000.

If you decided not to set up a donor-advised fund last year, you can still do it in 2019 and reap the benefits for years down the road. To learn more, here’s a link to a guest column I wrote for the Atlanta Business Chronicle in late 2018 titled “Donor-Advised Funds Help Taxpayers Support Metro Atlanta Charities.”

<https://www.bizjournals.com/atlanta/news/2018/09/16/viewpointdonor-advised-funds-help-taxpayers.html> ^[1]

For anyone that wants to learn more about this strategy, please contact me at Charlie.Jordan@Brightworth.com ^[2] for more information.

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