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Ken Berry, JD • Nov. 28, 2017

The IRS has issued a reminder to taxpayers about the benefits of making year-end charitable contributions (IR-2017-191, 11/21/17). By increasing their charitable deductions, which usually requires little effort, clients can reduce their tax liability for 2017.

But there's another twist to year-end contributions. Under sweeping tax reform proposals being discussed in Congress, millions of taxpayers may no longer be itemizing tax deductions in 2018. This creates an added incentive to bolster 2017 donations.

The IRS reminder emphasizes seven critical points about donating to charity at the end of the year.

1. **Only donations to eligible organizations are deductible.** The IRS Select Check tool on www.irs.gov is a searchable online database that lists most eligible charitable organizations. Note: Churches, synagogues, temples, mosques and government agencies are eligible to receive deductible donations even if they are not listed in this database.
2. **Charitable deductions aren't available to taxpayers who choose the standard deduction.** Only those who itemize can benefit from charitable contributions.
3. **A bank record or a written statement from the charity is needed** to prove the amount and date of any donation of money. Monetary donations can include forms other than cash such as checks, electronic funds transfers, credit card payments and payroll deductions.

4. For donations of clothing and other household items, **the deduction amount is**

7. **Good recordkeeping is a must.** The type of records you must keep depends on the amount and type of the donation. An additional reporting form is required for many property donations and an appraisal is often needed for large donations of property.

Among other proposals in the tax reform bills in the House and Senate, most itemized deductions would be repealed, but the write-off for charitable donations would be preserved. However, the standard deduction amount would essentially be doubled under each bill. For instance, in the initial version of the Senate bill, the deduction for single filers increases to $12,000 for single filers and $24,000 for joint filers.

As a result, if all these provisions are enacted, more taxpayers would be claiming the standard deduction in lieu of itemizing deductions. This eliminates a tax incentive to contribute for much of the middle and upper classes, the bread-and-butter for charitable organizations. In addition, proposed cuts in individual tax rates would further discourage donations after 2017. Consequently, there's even more reason to boost contributions this year.

Although many charities are adopting a wait-and-see attitude about tax reform, others have already lined up against the tax reform bills and are initiating efforts to mobilize opposition, within the boundaries allowed for "lobbying" under the tax law. This is certain to be one of the focal points in the tax reform debate as the legislation continues to work its way through Congress.

Income Tax