BLBB Advisors
FINANCIAL GUIDANCE SINCE 1964

Charitable giving not only directly supports and strengthens your community by funding vital services and initiatives, but it may also **potentially lower your tax burden**.

The Inflation Reduction Act adjusted federal income tax brackets in 2023, with the IRS increasing the maximum income thresholds for each bracket. These updated thresholds have been maintained for the 2024 tax year. As a result, you might find yourself in a lower tax bracket, especially if you have substantial charitable deductions to claim.

The IRS also increased standard deductions for each of the last two years. You must surpass the higher amount of deductions above the standard deduction for it to make sense to itemize your deductions. For example, if you are married filing jointly, your standard deduction in 2024 is $29,200 (or $14,600 for single filers or married persons filing separately). Therefore, **you could take a tax deduction for charitable contributions if your total deductions—which includes such things as charitable gifts, state and local taxes (capped at $10,000), and home mortgage interest (up to $750,000 of debt) among other things—exceeds $29,200**. It's important to identify all of your tax deductions so you can determine how much extra it would take in charitable contributions to exceed the standard deduction.

Remember, cash contributions to charities can be deducted up to 60% of your adjusted gross income. Donations of non-cash assets held for longer than two years can be deducted up to 30% of adjusted gross income.

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While claiming a charitable deduction is generally a smart tax strategy, even if you are not eligible to do so this year, you should not be dissuaded from giving to the causes you care about. **One strategy is to bunch donations in certain years and group their tax effects**. This works especially well if you have a donor-advised fund (DAF) where you can contribute a large amount one year (and take the charitable deduction), and then distribute the funds over time so that your charities do not miss your annual gifts.

Also, remember **cash is the least tax-effective charitable gift**. By donating securities held for more than one year, you avoid paying capital gains tax and can deduct the fair market value of that security in the year you donate.

For older individuals, the "SECURE Act 2.0" legislation, as part of the Consolidated Appropriations Act of 2023, has some key provisions to be aware of:

- The required minimum distribution (RMD) age (previously 72) increased to 73 on January 1, 2023. The RMD is the mandated amount a taxpayer must withdraw from qualified retirement plans, which increases your adjusted gross income and perhaps your tax bracket. **To offset the RMD effect, consider donating funds from your qualified plans directly to charities.** Anyone over 70 ½ (which includes those not yet required to take the RMD) is eligible to do this through what is known as a Qualified Charitable Distribution (QCD). The annual QCD cap is now indexed for inflation, allowing taxpayers to give even more from their IRAs directly to charity. The QCD limit for 2024 is $105,000.

- Taxpayers can also make a one-time $53,000 QCD transfer from their IRA to a split-interest gift, such as a charitable gift annuity or a charitable remainder trust. Note that these charitable vehicles, which can only contain IRA assets, must be created solely for receiving a QCD.

If you are interested in learning more about maximizing the tax benefits of your charitable giving, contact your BLBB Advisor at 215-643-9100.