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START A DONOR-ADVISED FUND FOR POTENTIAL TAX SAVINGS THROUGH BUNDLING YOUR CHARITABLE GIFTS

The new tax law of January 2018 may have significant implications for donors who want to support their church or other charitable organizations. The increase in the standard deduction to \$12,000 per single filers and \$24,000 for joint filers could remove the advantage of deducting charitable contributions if the total itemized deductions do not exceed the larger standard deduction.

The Presbyterian Foundation's Donor-Advised Fund (DAF) provides you an efficient way to bundle your charitable giving donations in a potentially tax-advantageous way. Bundling two or three years' worth of gifts into a donor-advised fund in one year may provide significant tax advantages.

Simply put, you fund your Donor-Advised Fund with the amount you intend to give to your church and/or charities over the next several years. You deduct the full funding amount during that tax year, even though the grants to the ministries and charities you cherish may not be made for months or even years to come.

Additionally, late in 2017 the IRS released proposed regulations that in certain circumstances would allow DAF distributions to fulfill charitable pledges made by a donor. This shift in position is a welcomed change. Per the IRS notice, taxpayers may rely upon the proposed pledge rule changes until additional guidance is issued. Please see IRS notice 2017-73 for more details.



EXAMPLE: GIVING WITHOUT BUNDLING

WITHOUT CONSOLIDATING GIFTS	RESULT
Years 1, 2, 3, 4 – \$10,000 to charity \$13,000 other itemized deductions: <ul style="list-style-type: none"> • mortgage interest, • real estate taxes, • state and local taxes, etc. 	Tax Deductions: Standard deduction of \$24,000 each year Charitable Gifts: \$ 10,000 per year
Total over 4 years	Total Tax Deductions: \$96,000 Total Charitable Gifts: \$40,000

Let's say you and your spouse are joint filers that give \$10,000 to your favorite church and/or charities each year and have another \$13,000 in itemized deductions. You will take the \$24,000 standard deduction since your itemized deductions total \$23,000. **Over four years, you would have a total of \$96,000 in deductions.**

EXAMPLE: BUNDLING GIFTS

WITH CONSOLIDATING GIFTS	RESULT
Years 1, 3 – \$20,000 contribution to your donor-advised fund \$13,000 other deductions: <ul style="list-style-type: none"> • mortgage interest, • real estate taxes, • state and local taxes, etc. 	Tax Deductions: Itemized deduction of \$33,000 each year Charitable Gifts: Donor-advised fund grants of \$10,000 each year.
Years 2, 4 – \$0 contribution to your donor-advised fund \$13,000 other deductions: <ul style="list-style-type: none"> • mortgage interest, • real estate taxes, • state and local taxes, etc. 	Tax Deductions: Standard deduction of \$24,000 each year Charitable Gifts: Donor-advised fund grants of \$10,000 each year.
Total over 4 years	Total Tax Deductions: \$114,000 Total Charitable Gifts: \$40,000

If you and your spouse decide to bundle your gifts and contribute \$20,000 to a Presbyterian Foundation DAF every other year, you could see significant tax savings. In the first and third years, you will itemize \$33,000 in deductions. In the second and third years, you will take the standard deduction of \$24,000 instead of itemizing. **Over four years, you could have \$114,000 in deductions.**

You can create a donor-advised fund with a gift of \$2,500 or more. Online tools are available to manage your fund. You can track your giving history, make grant recommendations, make additions to your fund, and research and select the charities you wish to support. You can choose among investment options according to your own short- and long-term plan for making grants.

After your lifetime a donor-advised fund helps you ensure that giving continues through instructions to make grants you designate or to name an heir to continue as a grant advisor. Our Presbyterian Foundation Ministry Relations Officers are excited to talk with you about the flexibility and simplicity of a donor-advised fund.

Call us at 800-858-6127.

These examples are of a general and informative nature, and do not constitute advice, legal or otherwise. Please consult with your attorney or tax advisor before you take any action.



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