5 reasons to keep making tax-deductible donations

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In a Nutshell

Tax reform virtually doubled the standard deduction, and many filers may decide it's not worth the effort to itemize their deductions. But if you don't itemize, you can't take a deduction for your charitable giving. And there are reasons why making a tax-deductible donation could still be a good idea.

Tax reform giveth, and tax reform (apparently) taketh away.

Did you see an increase in your paycheck in early 2018 following the December 2017 passage of the Tax Cuts and Jobs Act? If tax reform bumped you into a lower tax bracket, your take-home pay may have increased.

But tax reform also increased the standard deduction, which could lower your incentive to itemize your deductions – including for charitable donations. Charities may already be feeling the pinch, according to a report by the Association for Fund Raising Professionals.

Charitable giving down

The total number of donors in the first quarter of 2018 dropped 6.3% from the same quarter the year before. Total revenue declined 2.4%, and the number of new donors plunged 12% year over year for the same time period, according to the association's Fundraising Effectiveness Project.

The new tax law lowered individual federal income tax rates and increased the standard deduction to $12,000 for single filers and $24,000 for those married filing jointly. Those two factors could inspire a lot of people to take the standard deduction rather than itemize their deductions on their federal income tax filing, according to the Tax Policy Center.

Common question

What is the standard deduction?

The standard deduction reduces your taxable income and varies based on your filing status. For tax years between Jan. 1, 2018 and Dec. 31, 2025, the standard deductions are $12,000 for single filers, $18,000 for heads of household and $24,000 for married couples filing jointly. Taxpayers must claim either the standard deduction or itemize their deductions — you can't do both.

"The biggest change that individuals will feel is the doubling of the standard deduction amount, which is meant to make up for the elimination of the personal exemption(s)," says Lydia C. Desnoyers, a certified public accountant and certified fraud examiner with Desnoyers CPA in Miami. "As a result, more people will find it beneficial to use the standard deduction and forgo itemizing their deductions. Saying bye to the itemized deductions means saying bye to the mortgage interest deduction, state income or sales tax, and our favorite, charitable deductions."

People who are considering taking the standard deduction, rather than itemizing on their 2018 tax returns, could feel less inspired to donate and take a charitable deduction. But there are still good reasons to make tax-deductible donations.

5 reasons to keep making tax-deductible donations

1. Your donation can make a difference.

There are more than 1 million public charities and over 105,000 private foundations in the U.S. That's a lot of need — and a lot of giving from generous Americans. In

2014, individuals, foundations and businesses gave more than $358 billion to charity. Charitable donations help nonprofit organizations make a difference in the lives of countless people in their communities.

2. You can feel good about it.

Does doing something good make you feel good? For many people the answer is "yes." A survey by the Charities Aid Foundation found the top motivating factors for charitable giving are all positive ones. Ninety-seven percent of donors say their personal values motivate them to give, 96% cite their sense of ethics, and 75% note their belief in a specific cause. And 42% agreed the positive feeling they got from donating was a key factor in their decisions to give.

3. You can learn a new skill.

Tax-deductible donations aren't always money, and charitable giving doesn't always have to be cash. You can donate your time (although that's not tax deductible) to an organization and learn some new skills — like homebuilding, landscaping, organizing and financial management — while you're at it.

4. You can teach your children to be kind.

You don't need any kind of scientific study or survey to know that children learn from their parents. Donating to charity and volunteering can help model generosity and social responsibility.

5. You can still get a tax benefit.

Tax reform did *not* eliminate the deduction for charity nor remove the ability to itemize deductions on your federal income tax return. In fact, two changes in the law might actually make it easier for people to give as much as the tax code allows.

First, the new tax law suspended the limitation on total itemized deductions until Dec. 31, 2025. Before tax reform, you might not have maxed your tax-deductible donations if you knew the overall limit meant you couldn't get full credit for them. Now you can — if you choose.

What's more, the limit on how much you can deduct for charity also increased under tax reform. Previously, you couldn't deduct cash contributions that exceeded 50% of your adjusted gross income. The new law bumped that to 60% in certain cases.

Learn more about tax reform here

Taking a charitable donation deduction

The charitable donation deduction allows you to lower your taxable income for donations or gifts to qualified, tax-exempt organizations. To get the deduction, you must file Form 1040, the form you use for an individual or joint income tax return. You also must itemize your deductions on Schedule A on Form 1040.

If you choose to itemize your deductions for the 2018 tax year, there are still rules around what you can and can't deduct — and how much — when it comes to charitable donations. Understanding these requirements could help you maximize your deductions and lower your taxable income.

What can you deduct?

First, it's important to understand that only donations to qualified tax-exempt organizations count.

Religious organizations, veterans organizations and community organizations often qualify as tax exempt, but you can definitively find out which organizations have this status by using the IRS's Tax Exempt Organization Search.

If the organization qualifies, also make sure that your donation or gift qualifies too.

The federal government allows you to deduct a charitable donation to a qualified organization if you don't benefit or get anything in return for the donation.

What's the deadline for making charitable contributions?

Among organizations eligible to receive tax-deductible charitable donations are churches, temples, mosques or other religious organizations; nonprofit schools or hospitals; the United Way, Boy Scouts of America, Girl Scouts of America, Boys and Girls Clubs of America; and veterans groups and organizations, including the Salvation Army, American Red Cross, CARE and Goodwill Industries.

You also can deduct donations made to federal, state and local governments for public purposes — for example, donating to a fund to rehab a public park. Any expenses you incur as a volunteer for a qualified organization are deductible too.

You also can get a deduction for the donation of a qualified vehicle, including a car, boat or airplane. If you want to take a deduction of more than $500, you can deduct either the lesser of the gross proceeds of the sale of the vehicle once the organization sells it or the fair market value of the vehicle when you donated it.

How much can you deduct?

As we mentioned before, there are limits on how much you can deduct for charity, and tax reform increased one of them.

Under previous tax law, you could deduct donations that exceeded half of your contribution base — meaning your adjusted gross income. Tax reform increased that limit to 60% if you're making a cash contribution to a public charity.

Still need to file?

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Things you can't deduct

There also are parameters for what you can't deduct.

While donations to qualified charitable organizations are deductible, donations to individuals aren't. So, if you donated money to help a friend or member of your church buy a new car or pay for a lifesaving surgery, that donation isn't tax deductible.

Donations to most foreign organizations, civic leagues, labor unions, chambers of commerce and other social groups also don't qualify. And neither do dues paid for country club memberships or fraternal orders or donations you've made to political organizations or candidates.

Though you can deduct unreimbursed out-of-pocket expenses you incur while volunteering, you can't deduct the cost of your time or services. Let's say you're a lawyer who usually charges $400 an hour. If you donate five hours of your time each month to a legal aid clinic, you can't deduct $2,000 in charitable donations on your tax return. However, you can deduct the miles you drive to get to the clinic at a rate of 14 cents per mile for charity.

And along the same lines of volunteering, there's another type of donation you can't deduct — the value of your blood. So if you donate blood to an organization like the Red Cross or to another blood bank, you don't get any tax advantage from doing so. Giving back will be your only reward.

Bottom line

Donating to a worthy nonprofit, veterans group or religious organization is a great way to give back and support organizations doing good work in your community, especially if you don't have time to volunteer yourself.

Just make sure you understand what can and can't be deducted. Though this may not be your sole motivation for giving back, checking in with your accountant or a qualified tax professional beforehand can help you maximize your charitable contributions.

It's important to keep good records throughout the year. If you donate online, create an email folder where you can save the confirmations as you receive them or an actual file folder for any paper receipts so you can easily find everything come tax time.

And though tax reform has led to changes in the standard deduction, you can still lower your taxable income by donating to a qualified organization — as long as you itemize.

"I like to think that people donate out of the goodness of their hearts and not just for a tax write-off, but we'd be naïve to believe that people won't think twice about giving or how much to give knowing that they may no longer get a tax benefit," Desnoyers says. "With that, nonprofit organizations may see a decrease in monetary donations for a while — at least until the changes expire at the end of 2025."

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