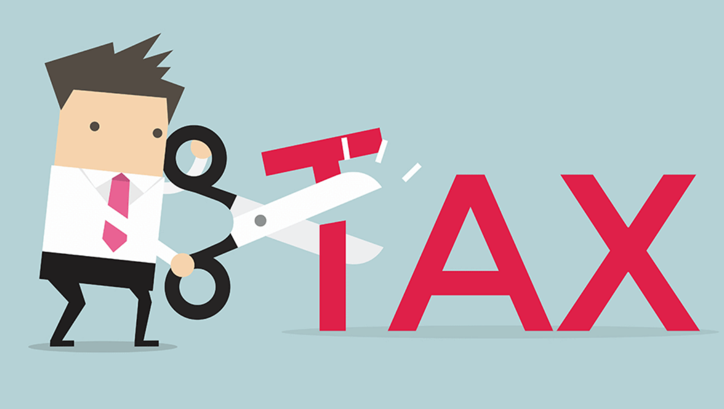

Wayne County
COMMUNITY
FOUNDATION

Standard Deduction Planning

Avoid leaving dollars behind

One of many items on the legislative "watch list," especially in light of the upcoming elections, is the standard deduction. Without intervening legislation, in 2026 the standard deduction for individual taxpayers younger than age 65 is scheduled to drop from $14,600 to $8,300.

While this may spell higher taxes for some taxpayers, the news could be positive for charitable giving. You'll recall that the Tax Cuts and Jobs Act of 2017 increased the standard deduction significantly. As a result, only 9% of taxpayers itemized deductions in 2020 compared with 31% in 2017. Although certainly not the only factor motivating charitable giving, tax incentives do play a role in donors' decision-making about whether, when, and how much to give. Indeed, statistics recently released by the National Bureau of Economic Research indicated that the increased standard deduction resulted in $20 billion fewer charitable donations in 2018 alone.

The Community Foundation is happy to work with you and your tax advisors to map out a charitable giving plan for the next few years to navigate anticipated changes in the law. For example, this year you could consider using a technique called "bunching" to make two years' worth of gifts up front to your Donor Advised Fund to take advantage of the standard deduction while it is still high.

If you determine that bunching is right for you, naturally, cash is easy to give in a year of higher-than-expected income. So, for example, if you earn a large bonus this year, get a big increase in compensation, take a job buyout, or experience a significant liquidity event, your surplus income could make bunching ideal.

Most of the time, though, even when you deploy a bunching strategy, donating highly-appreciated marketable securities is a better choice than giving cash because it is extremely tax efficient. Stock given to a public charity, such as your Donor Advised or other type of Fund at the Community Foundation, typically is deductible at the asset's fair market value. The Community Foundation, in turn, pays no capital gains tax on its sale of the asset, thereby generating more dollars to support your philanthropic interests than if you had sold the stock and given the proceeds to your fund.

You can think outside of the box, too, and explore other assets that make great gifts to your fund. As is the case with gifts of other long-term appreciated assets, a gift of real estate or closely-held stock avoids capital gains taxes and results in more money for your favorite causes than if you had sold the asset, taken the tax hit, and donated the proceeds.

The bottom line? Now is a perfect time to look ahead at your charitable giving plans so that you don't leave dollars behind. Your own financial situation, as well as the charities you support, will benefit from your careful planning. The Community Foundation is here to help!

Let's connect.

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