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2018 Tax Reform: Are You Prepared for the End of the Year?

With the introduction of new tax law this year, you may wonder how you will be impacted. For many taxpayers, the new tax law creates an opportunity in the form of increased disposable income.

Here are the main takeaways of the 2018 law, along with some things to consider for charitable giving this year.

What's New?

Income Tax Brackets

Whether you're a single filer or a married person who files jointly, separately or as head of household, you will likely fall into a new tax bracket.

The new law maintains seven tax brackets but lowers rates for most brackets. The new brackets are: 10, 12, 22, 24, 32, 35 and 37 percent. Most taxpayers will see their tax rate decrease. A married couple with a combined income of $150,000, for example will go from a 25 percent tax rate to 22 percent under the new law.

You may be in a lower bracket this year and pay less taxes. You may now have an opportunity to give more to the charitable organization you care about, such as WCH Foundation.

Higher Standard Deductions

The new law nearly doubles the standard deduction to $12,000 for single filers, $18,000 for heads of households and $24,000 for joint filers. You may be less likely to itemize on your taxes and use the income tax charitable deduction.

You may now have an incentive to give more to WCH Foundation in one particular year over another to exceed the standard deduction and itemize your deductions.

Itemized Deductions

If you elect to itemize this year, your deductions may look a little different (though charitable deductions remain under the new law). Under the new law, you will be able to deduct up to a total of $10,000 for state and local taxes.

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Charitable Contributions for Cash Gifts

The new law increases the limitation of 50 percent of your adjusted gross income (AGI) for donations by cash, check or credit card up to 60 percent. Higher net worth donors may want to consider increasing cash gifts.

Estate Tax Exemption

The threshold for triggering an estate, gift or generation-skipping tax was raised to $11.18 million per person ($22.36 million for a married couple). Only an estimated 0.1 percent of estates will be subject to estate tax under the new law. (By comparison, the rates in 2017 were $5.49 million for individuals and $10.98 million for married couples.)

If you have a high net worth, you may no longer anticipate being subject to estate tax and have an incentive to make larger gifts during your lifetime to obtain an income tax charitable deduction instead of waiting until after your lifetime.

What is the Same?

Charitable Deductions

You will still be able to deduct your charitable contributions if you itemize your taxes.

Long-Term Capital Gains and Dividends

The tax rates on capital gains and dividends remain the same at 0, 15 and 20 percent, depending on your tax bracket.

Charitable Contributions of Appreciated Property

The limitation on charitable gifts of long-term appreciated property to public charities will remain at 30 percent of your adjusted gross income. You can still carry over any excess for up to five additional years.

What Does This Mean for Me?

The lower tax brackets may mean that you are likely in a better financial position to help others this year. Here are three smart ways to be charitable as we close out the year.

1. Donate appreciated property.

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With many markets experiencing strong growth, consider a gift of appreciated property to a nonprofit like WCH Foundation. You may qualify for an income tax charitable deduction and eliminate capital gains tax.

2. Name WCH Foundation as a beneficiary of retirement plan accounts.
   Assets in your IRA, 401(k) or other qualified retirement plan accounts remain subject to income tax when distributed to your heirs. If you name WCH Foundation as a beneficiary of all or part of your plan, your gift will pass to us tax-free.
3. Give from your IRA (if you are 70 ½ or older)
   Regardless of whether you itemize your taxes, this gift helps you fulfill your required minimum distribution and is not considered taxable income.

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