Generosity meets strategy with tax-savvy donations

Giving to charity feels good, but understanding the tax benefits can benefit both the charity and you. Whether you donate regularly or are planning your first gift, knowing how charitable tax deductions work can help you make informed decisions while supporting causes you care about. Here are things to consider:

The basics: Itemizing vs. standard deduction. To benefit from charitable tax deductions, you need to itemize your deductions on your tax return. Everyone automatically receives a standard deduction, which in 2025 is $31,500 for married couples filing jointly or $15,750 for single filers. You'll only benefit from itemizing if your total deductions, including charitable gifts, exceed these amounts.

For many people, charitable donations alone won't push them over the standard deduction threshold. However, when combined with other deductible expenses like mortgage interest or state and local taxes, itemizing can make financial sense.

If you give regularly but don't usually exceed the standard deduction, consider "stacking" your donations. Instead of donating $5,000 annually, you might donate $15,750 in one year to exceed the itemization threshold, then take the standard deduction in subsequent years.

Ensure your donation qualifies. To claim a deduction, you must give to a qualified charitable organization recognized by the IRS. You can verify an organization's status on the IRS website or ask the charity for their determination letter. Donations to individuals, even those in need, don't qualify for tax deductions.

Additionally, you can't receive personal benefits in exchange for your donation. If you give $500 to a charity but receive concert tickets worth $200, your deductible amount is only $300.

How much can you deduct? The IRS limits charitable deductions based on your adjusted gross income (AGI). For cash donations to public charities, you can typically deduct up to 60% of your AGI. If you donate stocks or other appreciated assets you've held for more than a year, the limit is generally 30% of your AGI.

If your donation exceeds these limits in a single year, you can carry forward the unused portion for up to five years.

What to donate. Think strategically about what you donate. While cash is easiest, donating appreciated stocks can provide additional tax benefits since you avoid paying capital gains taxes on the investment's growth.

Keep good records. Documentation matters. For donations under $250, a canceled check or receipt works fine. Cash donations of $250 or more need written acknowledgment from the charity. For larger non-cash donations of property exceeding $5,000 in value, the IRS requires a qualified written appraisal. Keep these records with your tax documents in case the IRS requests proof. See IRS Publication No. 526 and No. 561 for information on charitable contributions and valuing donated property.

The bottom line: Charitable giving may start with your heart, but understanding the tax implications helps you give more effectively. Work with a tax professional and a financial advisor to develop a giving strategy that aligns with both your charitable goals and financial situation. With thoughtful planning, you can maximize both your impact on causes you care about and the tax benefits you receive.

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