Tax-Smart Charitable Giving for 2025

With the spirit of the holidays upon us and it being almost the end of the line for getting a tax benefit from charitable gifts this year, it is no surprise that most charitable giving occurs in December.

With that in mind, I would like to go over some reminders that can help squeeze a little extra tax benefit out of your year-end gifting.

Hi, I am Mike Hengehold. I am a partner with HCM Wealth Advisors and CPAs. I have spent most of my life helping people design tax-smart wealth plans.

Before we talk about the business side of charitable giving, it is important to acknowledge that we don't make charitable gifts to get a tax break. We do it to support the people and causes we care about.

However, if our giving can be designed to gain a tax benefit – well, that puts a nice bow on the gift.

Today I want to zero in on how to squeeze the most benefit out of your charitable giving in 2025 and the next few years.

The first question everyone needs to answer when planning the tax side of their charitable giving is if they will itemize deductions or if they will be utilizing the – now- very generous standard deduction.

And, even if you stopped itemizing several years ago there is a good chance you will be back at it in 2025 and the next few years because the the amount of state and local taxes you can deduct has increased from $10,000 to $40,000.

And, whether you take the standard deduction or itemize there are things everyone can do to enhance the after- tax benefit of your charitable giving.

First, for those who will not itemize in 2025 or 2026, you may want to consider waiting until nest year to make your cash contributions. That is because regular charitable cash gifts do not get a tax benefit in 2025.

But, there will be a new tax break next year for non-itemizers.

If you hold off and write those checks after December 31st you will be able to deduct up to $1,000 if you are single and $2,000 if you are married. And that compares to zero benefit in 2025.

For people who will be itemizing this year, it may pay for you to do just the opposite and pull your 2026 gifts into 2025. That is because charitable gifts made next year will receive a haircut of ½% of your adjusted gross income.

So, depending on your AGI that may or may not be a huge adjustment, but it is enough to justify a little planning to get the most benefit possible.

Also, many high-income taxpayers in the top bracket face what I am calling a deduction reduction in 2026 which provides more reason to move gifts forward into this 2025 before this rule kicks in.

There are a few strategies that can help both itemizers and non-itemizers alike.

First, if you are at least 701/2 years old you can give money to charity through your IRA, even if you are not yet taking required distributions. This type of a gift is called a Qualified Charitable Distribution or QCD for short.

This gets money out of your IRA tax free. This strategy will reduce your future income and may help avoid the Medicare IRMAA penalty premiums and the NIIT.

So, if you were going to make charitable gifts anyway, this is a better way to do it.

This strategy is almost always a good idea because IRAs are just loaded with taxes.

- Also, if you're subject to RMDs this type of gift will offset those required distributions as well.
- But beware, the order of these transactions is important. To work properly, you need to take the QCD first and then take your remaining RMD.
- Another strategy that will help non-itemizers but will help itemizers a bit more is to donate appreciated securities instead of writing checks.
- This way you will never owe any capital gains tax on those securities. It's easy to do, you can have the securities transferred directly to the charity, OR,
- A simpler way is to have HCM open a charitable account, called a Donor Advised Fund for you, and then we simply transfer shares to the fund, and the process is done.
- Then, you simply make gifts to any charity you choose, either now or in future, with a few clicks of your mouse.
- Age does not matter for this strategy.
- You can take this strategy a step further if you are close to the standard deduction threshold and need a little extra push to get over the line.

- You can “pull deductions forward from future years by moving appreciated securities into the charitable fund now and giving the money away later than you normally would.

So that does it.

If you are planning on making charitable gifts this holiday season reach out to your HCM advisor to see if there are some tweaks that might help you tighten up your charitable giving strategy.

Thanks for watching.

Merry Christmas everyone.