

Charity Bunching Example 1

A married couple with \$10,000 in state and local tax deductions (the max allowable) and \$12,000 of mortgage interest annually who gift \$3,100 to charity annually would benefit from gifting 5x their annual giving once every five years OR funding a Donor Advised Fund (DAF) with five years giving and making annual grants from the DAF. The economics are the same over five years, but the taxpayer receives a tax deduction of \$12,400 by bunching their charity deductions into one year instead of spreading over five. This \$3,100 of tax savings (@ 25%) could fund an entire year of gifting!

2021 Standard Deduction Married = \$ 25,100

	Typical Year	Bunching Year
Married Couple		
State/Local Taxes	\$ 10,000	\$ 10,000
Mortgage Interest	\$ 12,000	\$ 12,000
Charity	\$ 3,100	\$ 15,500
Total Itemized Deduction	\$ 25,100	\$ 37,500
Standard Deduction	\$ (25,100)	\$ (25,100)
Charity Deduction Benefit	\$ -	\$ 12,400
Five Years Itemized	\$ 125,500	(\$25,100 *5)
Four Years Std Deduction	\$ 100,400	(\$25,100*4)
One Year Bunching	<u>\$ 37,500</u>	
Five Years	\$ 137,900	
Difference	\$ 12,400	
Tax Rate	x	25% may vary
Tax Savings @ 25%	\$ 3,100	

Charity Bunching Example 2

A married couple who is usually in the 32% tax bracket has a significant income year due to a sale of a family-owned business. For this one year, their tax rate will jump to 37% then is expected to return to 32% in subsequent years. By bunching their expected charitable giving for the next 10 years into the one higher tax rate year, they will save an extra 5% on their total charitable giving over 5 years. The economics are the same over ten years, but the taxpayer receives an increased tax deduction of \$15,000 by bunching their charity deductions into their higher income tax year instead of spreading over ten.

2021 Standard Deduction Married = \$ 25,100

	Typical Year	High Income Year
Married Couple		
State/Local Taxes	\$ 10,000	\$ 10,000
Mortgage Interest	\$ 15,000	\$ 15,000
Charity	\$ 30,000	\$ 300,000
Total Itemized Deduction	\$ 55,000	\$ 325,000
Charity over 10 years	\$ 300,000	\$ 300,000
Tax Rate	32%	37%
	\$ 96,000	\$ 111,000
Additional Tax Savings		\$ 15,000

NOTE: These examples ignore tax savings for contributing appreciated securities to a DAF which would increase the tax efficiency in both examples.

**The information provided is for hypothetical examples only. Every circumstance is unique and your specific situation may vary. Please consult with your tax advisor.*

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