Charitable Donations: Feeling Good but Hardly Worth It

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Abstract

Our paper focuses on the perceived benefits of tax deduction associated with charitable donation from an individual's viewpoint. After analyzing four average cases of taxpayers from various income levels and after dividing them as home owners or renters, we conclude that a taxpayer is more likely to receive the benefit of a charitable deduction if the taxpayer also owns a home which is secured by a mortgage. The tax benefit is defined as the dollar amount of tax that is reduced by donating to charitable foundations. We look at the tax benefit as the savings derived from the charitable contribution in excess of the standard deduction. For any amount below the standard deduction, there is no direct tax saving generated from donating.

We conclude by discussing the advice the donors, their financial advisers and tax consultants can take from this exercise. If the donor is thinking about giving to charity in the hope of saving taxes, he/she needs to take a close look at their income and standard versus itemized deductions available to them. Since lower income individuals may rely more on cheaper tax services, the tax preparation companies like H & R Block need to make their clients aware of more effective ways to save on taxes. Taxpayers who reside in major cities and generally rent need to pay even closer attention to their tax status.

Keywords: Charitable contributions, Individual taxation

1. Introduction

The topic of charitable contributions has been studied from various angles. One of the main controversies relates to the Internal Revenue Service's tax code which allows taxpayers to reduce their taxable income by the amount donated and thus save on tax liability. Two sides-one fighting to keep the deduction and the other for taking it away- have discussed the pros and cons of their approach in several recent publications.

The group supporting the elimination of the tax deduction states the following claims:

1) The resulting increase in the tax revenue may alleviate some of our current budget deficit problems. (Mitchell 2012). The emerging IRS scandal in the months of April and May 2013 has reignited the debate about whether the IRS should be given the authority to determine which charitable organization's existence as a tax-exempt entity is justified.
2) Donors do not stop giving money to their favorite charities if there is no tax benefit. However, they may choose to give it to the wrong charity. Daniel J. Mitchell (2012) says that despite the changes in the tax rates over the last several decades, the level of charitable donations in the U. S. has remained at about 2% of the Gross Domestic Product.
3) The tax advantages associated with the charitable giving are not the same across different income groups. The wealthy usually get the most benefit by donating money since they face higher marginal tax rates. Mitchell (2012) summarizes this point when he states that 81% of the taxpayers making more than $100,000 annually claim deduction for charitable giving but they make up only 13.5% of the returns. For taxpayers making over $200,000, 51% claim such deduction but they constitute only 3% of the total tax returns.

Would the rich stop giving if the tax incentive is taken away? Daniel J. Mitchell does not believe so. He thinks that the "tremendous cultural pressure" and the lure of nice fringe benefits like "a building being named after them" would encourage the rich to continue giving. In 2008, people earning in excess of half million dollars gave over 3% of their income while people earning $50,000 gave at the average national rate of 2%.

4) Significant amounts are spent by the charities to lobby the Congress to keep the tax benefit alive. This money comes directly out of the contributions made by donors effectively reducing the money charity spends on its programs to carry out their mission. (Dennis 2012)

5) Not-for-profits receive almost a third of their revenue from the government. Increasing the total tax revenue through elimination of the tax incentive may actually help the charities through increase in government grants. (Dennis 2012)

The group in favor of maintaining the current tax status offers following reasons to support its position:

1) The deletion could affect financial wellbeing of many charities adversely due to the drop in donations. Almost 80 percent of taxpayers itemize their deductions. Experts speculate that if the rich lose the ability to deduct the donations, the charitable contributions may go down by as much as $78 billion (2011 donations amounted to $218 billion). (Mitchell 2012).

2) Diana Aviv states that the timing of the donations indicates that the major driver may be the benefit associated with the tax deduction. More than one-fifth of the charitable contributions made online are recorded at the end of the tax year. (Mitchell 2012).

3) Not-for-profits have their own built-in monitoring mechanisms through groups such as the donors and volunteers forcing them to remain faithful to their mission and operate at higher efficiency. (Mitchell 2012).

4) If the tax benefit encourages the citizens to behave in a non-selfish way i.e. giving up their money without receiving any direct benefit from it, shouldn't the government take every measure to sustain these moral practices?

The tax deductibility issue has been receiving repeated attention since the 2012 presidential campaign in which candidate Mitt Romney's effective tax rate of less than 15 percent received scrutiny from the media as well as the voters. (http://money.cnn.com/2012/09/21/pf/taxes/romney-tax-return/index.html) His lower effective tax rate was mainly due to two factors:

1) High level of charitable contributions (about 4 million dollars on the 2011 annual income exceeding 20 million dollars)

2) Eligibility of all his income to be taxed at 15% since it is classified as investment income.

In addition, the ballooning budget deficits at the federal and state levels have highlighted some tax rules as unfair. The issue of charitable donations has been front and center in the Congressional debates of tax code reforms.

Table 1. Sample of Comments from Select Charities

Organization Name	Comments on the website
American Heart Association http://www.heart.org/HEARTORG/	*No comments*
Mothers Against Drunk Driving http://mda.org/sites/default/files/MDA-PrintableDonationForm.pdf http://www.madd.org/sponsors	*These forms do not state anything about the tax deductibility of the donation.*
The Alzheimer's Association http://www.alz.org/donate/_donation-tribute.asp?utm_source=google@B&utm_medium=cpc&utm_campaign=giving%2Btest%2Btribute	*The Alzheimer's Association is a not-for-profit organization. Donations are tax deductible.*
American cancer Society https://www.cancer.org/involved/donate/donateonlinenow/index	*The American Cancer Society is a qualified 501(c)(3) tax-exempt organization and donations are tax-deductible to the full extent of the law*

Organization Name	Comments on the website
Livestrong - http://www.livestrong.org/	*The **LIVESTRONG** is a 501(c)(3) under federal tax guidelines*
The American Diabetes Association http://www.diabetes.org/donate/ways-to-donate-give/donate-by-mail.html	*The American Diabetes Association will promptly send a personalized card to the person or family indicated, notifying them of your thoughtful donation. Every gift is tax-deductible to the fullest extent of the law and the donor will receive an acknowledgment for his or her donation.*
The American National Red Cross *https://www.redcross.org/donate/index.jsp?donateStep=2&itemId=prod10001*	*The American National Red Cross is registered as a non-profit organization. Contributions to the American National Red Cross are tax-deductible to the extent permitted by law.*

Charitable giving is a big business. We are inundated with requests to donate money for an array of causes ranging from religious to health to social issues. Usually, an emotional appeal to give is followed by the practical issue of saving taxes. Web sites, brochures, thank-you notes and volunteers are quick to remind people that their contributions would not only support a worthy cause but also generate a cash benefit for themselves. A survey of a few well-known organizations (see table 1) illustrates how charities may be unintentionally misleading donors to believe that their donations are tax deductible. For example, some groups (American Heart Association) just mention that they are a 501(c)(3) tax-exempt organization while some like the Alzheimer's' Association state unequivocally that the donations are tax deductible. Although some groups are silent about the tax advantages, groups like the Red Cross and the American Cancer Society use slightly modified language (A *qualified 501(c)(3) tax-exempt organization and donations are tax-deductible to the full extent of the law)* indicating that some donors may not receive the tax benefit. To an average person, this information may be only half-truth.

As we will show in this paper, whether a specific donation is tax deductible or not depends on a variety of individual taxpayer specific factors:

1) Taxpayer's income
2) Marginal tax rate
3) Family size
4) Ownership of a home
5) Ability to itemize deductions.

The purpose of this paper is to show that a taxpayer needs to carefully assess if his or her contributions would be tax deductible if that is the overwhelming reason for giving. The paper is divided as follows. After a brief review of the current literature, we describe the process we used to collect data on income and related tax deductible expenses. We then perform the tax calculations for four taxpayers from different income categories. The analysis is taken from the perspective of a taxpayer considering options based on the associated tax benefits. By looking at the facts and circumstances for each taxpayer's specific situation differentiated by income and expenses, appropriate options can be discussed. After an analysis of the tax savings generated by each group, we offer our conclusions.

2. Literature review

The Executive Order 13397 creating the new Center for Faith-Based Community Initiatives which was signed by President Bush on March 7, 2006 sealed the importance of channeling government provided human services through religious and other charitable institutions. The Bush Administration had been taking strides towards this goal since taking office in the year 2001. Naturally, over the same time period, we have seen an emergence of scholarly work in the area of not-for-profit organizations. This interest can be classified into the following four broad categories:

1) Determinants of donations/revenue for the charities
2) Ratio analysis based on data relevant to the work of nonprofits

3) Accounting issues such as allocation of joint costs, misreporting of expenses, and manipulation of financial statements

4) Compensation to managers of charities

The focus of our paper is on the effect of the tax deduction on charitable giving. The most closely related area to our topic is the role of income as one of the determinants of revenue for nonprofits. The other three areas are not relevant to our current paper.

Since tax deductibility of donations is a significant factor in giving, Barrett, McGuirk & Steiberg (1997) concluded that just as households alter giving in anticipation of future tax code changes, they plan their donations based on changes in their income levels. Other researchers (e.g. Auten & Rudney (1990)) have attempted to use average income levels for 2-5 years to figure out the level of permanent income. They concluded that families do not change their contributions immediately after their incomes change. In a 2002 paper by Auten, Sieg, and Clotfelter, it was shown that the change in the permanent level of income does affect the charitable contributions much more than the temporary changes in income. In a more recent paper by Hughes & Luksetich (2008), the authors look at the variability of income and its impact on charitable contributions. They use family level data for the years 1994-1997, 1999 & 2001 and use permanent and transitory income, several household characteristics & wealth as independent variables for a final sample size of 2041 families. They note that the wealth level is the major determinant and variability in the levels of income has a negative impact on charitable giving.

Along the lines of dividing income into permanent and transitory sources, researchers have also studied sources of income such as pensions, wages, and capital gains. Daneshvary & Luksetich (1997) concluded that families use wages and dividends to figure our donations but not interest or capital gains.

We have not been able to find any work discussing the practical issues relevant to individual giving except for a few articles in the popular press. They are incorporated in the body of our text under the heading introduction.

3. Data Collection

Table 2. Taxpayer Income Representations

Taxpayer	AGI Range ($)	Weighted AGI($)
1	20,000 - 39,999	31,527
2	40,000 - 59,999	49,231
3	60,000 - 99,999	72,458
4	100,000 - 499,999	194,375

The income items were calculated by averaging ranges of adjusted gross income (AGI) from data released by the IRSs' Sources of Income Tax Statistics for the year 2010. For example, the average AGI for incomes ranging from $20,000 to $40,000 was $31,527 weighted for the number of taxpayers within each range category. This range was labeled taxpayer 1 and the process was repeated three more times to get a sample of four taxpayers with incomes up to $500,000. Our final sample created four fictional taxpayers (see table 2).

Table 3. Conventional Mortgage 30-Year Fixed Rate

	Annual	Monthly
Interest Rate	3.570%	0.298%

rate source: http://www.federalreserve.gov/releases/h15/current/h15.pdf

The interest rate for home loans was sourced from the Federal Reserve H.15 Statistical Release March 2012. (Table 3)

Table 4. Mortgage Amortization Table

Taxpayer 1					Taxpayer 2				
Year	Payment	Interest	Principal	NCV	Year	Payment	Interest	Principal	NCV
0				94,581	0				147,693
1	4,989	3,377	1,613	92,968	1	7,791	5,273	2,519	145,174
2	4,990	3,319	1,672	91,297	2	7,792	5,183	2,610	142,565
3	4,991	3,259	1,732	89,564	3	7,793	5,090	2,704	139,861
4	4,992	3,197	1,795	87,769	4	7,794	4,993	2,801	137,060
5	4,993	3,133	1,860	85,909	5	7,795	4,893	2,902	134,158
6	4,994	3,067	1,928	83,982	6	7,796	4,789	3,007	131,151
7	4,995	2,998	1,997	81,984	7	7,797	4,682	3,115	128,036
8	4,996	2,927	2,070	79,915	8	7,798	4,571	3,227	124,809
9	4,997	2,853	2,145	77,770	9	7,799	4,456	3,344	121,465
10	4,998	2,776	2,222	75,548	10	7,800	4,336	3,464	118,001
11	4,999	2,697	2,302	73,246	11	7,801	4,213	3,589	114,412
12	5,000	2,615	2,386	70,860	12	7,802	4,085	3,718	110,695
Taxpayer 3					Taxpayer 4				
Year	Payment	Interest	Principal	NCV	Year	Payment	Interest	Principal	NCV
0				217,374	0				583,125
1	11,467	7,760	3,707	213,667	1	30,762	20,818	9,944	573,181
2	11,468	7,628	3,840	209,827	2	30,763	20,463	10,300	562,881
3	11,469	7,491	3,978	205,848	3	30,764	20,095	10,669	552,212
4	11,470	7,349	4,121	201,727	4	30,765	19,714	11,051	541,161
5	11,471	7,202	4,270	197,457	5	30,766	19,319	11,446	529,715
6	11,472	7,049	4,423	193,034	6	30,767	18,911	11,856	517,859
7	11,473	6,891	4,582	188,453	7	30,768	18,488	12,280	505,579
8	11,474	6,728	4,746	183,706	8	30,769	18,049	12,719	492,860
9	11,475	6,558	4,917	178,789	9	30,770	17,595	13,175	479,685
10	11,476	6,383	5,093	173,696	10	30,771	17,125	13,646	466,039
11	11,477	6,201	5,276	168,420	11	30,772	16,638	14,134	451,905
12	11,478	6,013	5,466	162,954	12	30,773	16,133	14,640	437,266

Payment source: http://www.bankrate.com/calculators/mortgages/simple-mortgage-calculator.aspx

The AGI amounts were used to determine what an appropriate loan amount should be using the general rule of 3x the debtor's income. This amount was used as the initial carrying value of the loan in an amortization table to determine the mortgage interest expense for year two of the loan. We chose year two over year one because it eliminated the sales tax component on the purchase of the house and any additional deductible expenses associated with purchasing a house such as moving expenses, origination fees/points and other closing expenses. All payments for the home were in accordance with the amortization schedule and there were no additional payments applied directly to principal. (Table 4)

Table 5. Home Expenditure Calculations

Taxpayer	AGI	Home Multiplier	Loan Amount	Home Value	Mortgage Interest	Real Estate Taxes
1	31,527	3	$ 94,581	$ 118,226	$ 3,319	$ 1,224
2	49,231	3	$ 147,693	$ 184,616	$ 5,183	$ 1,911
3	72,458	3	$ 217,374	$ 271,718	$ 7,628	$ 2,813
4	194,375	3	$ 583,125	$ 728,906	$ 20,463	$ 7,545

To calculate the property tax allocation, the beginning carrying value of the loan was divided by 80 percent to determine the assessed property value on the date of purchase. This calculation was required because the loan assumed that 20 percent was put down at the time of closing. The assessed value was multiplied against the national average of 1.035 percent as determined by a 2009 National American Community Survey issued by the National Association of Home Builders. Expenses and calculations related to home ownership are summarized in Table 5.

Table 6. NYS Withholdings

Taxpayer	Annual Gross Income	Withholdings Per Check	Annual Withholdings
1	27,080	56	1,458
2	44,737	103	2,667
3	67,617	163	4,235
4	182,015	498	12,955

For simplicity, it was assumed that all sample taxpayers reside in New York State. The state income tax withholdings were determined based on the wages and state withholdings table of the state (Table 6). The charitable deduction amount was assumed to be initially at the 2 percent level and then all calculations were repeated assuming the donations to be 10 percent of the AGI all in cash in accordance with the national average and religious institution's tithe expectations, respectively.

Once the income, mortgage, and property tax data was calculated, we made several assumptions about the type of taxpayer. These are:

1) The family has two kids based on the total fertility rate per woman in the United States. (Kaiser Family Foundation 2013)
2) For tax year 2010, the family filing status is married filing joint.
3) The family receives medical benefits through an employer provided health plan in which premiums are deducted out of the paycheck and no medical expenses are reported as an itemized deduction.
4) The family receives wages, taxable interest, and dividends.

The size of the family influenced the number of personal and dependency exemptions the taxpayers were entitled to take in calculating taxable income. In this study, all taxpayers had a family of four which allowed two dependency and two personal exemptions for a total of $14,600. In addition, if the taxpayers itemized deductions did not exceed the applicable standard deduction, then the standard deduction was applied in calculating taxable income.

Table 7-a. Itemized Deductions with Home Ownership & 2% Charitable Donation

Taxpayer	AGI	Mortgage Interest	Real Estate Taxes	Charitable Contribution	State Income Taxes
1	$ 31,527	$ 3,319	$ 1,224	$ 631	$ 1,458
2	$ 49,231	$ 5,183	$ 1,911	$ 985	$ 2,667
3	$ 72,458	$ 7,628	$ 2,813	$ 1,449	$ 4,235
4	$ 194,375	$ 20,463	$ 7,545	$ 3,888	$ 12,955

Table 7-b. Itemized Deductions with Home Ownership & 10% Charitable Donation

Taxpayer	AGI	Mortgage Interest	Real Estate Taxes	Charitable Contribution	State Income Taxes
1	$ 31,527	$ 3,319	$ 1,224	$ 3,153	$ 1,458
2	$ 49,231	$ 5,183	$ 1,911	$ 4,923	$ 2,667
3	$ 72,458	$ 7,628	$ 2,813	$ 7,246	$ 4,235
4	$ 194,375	$ 20,463	$ 7,545	$ 19,438	$ 12,955

In tables 7-a & 7-b, we show a summary of all itemized deductions taxpayers with home ownership are entitled to take on their tax return.

Table 8-a. Itemized Deductions w/o Home Ownership & 2% Donation

Taxpayer	AGI	Charitable Contribution	State Income Taxes
1	$ 31,527	$ 631	$ 1,458
2	$ 49,231	$ 985	$ 2,667
3	$ 72,458	$ 1,449	$ 4,235
4	$ 94,375	$ 3,888	$ 12,955

Table 8-b. Itemized Deductions w/o Home Ownership & 10% Donation

Taxpayer	AGI	Charitable Contribution	State Income Taxes
1	$ 31,527	$ 3,153	$ 1,458
2	$ 49,231	$ 4,923	$ 2,667
3	$ 72,458	$ 7,246	$ 4,235
4	$ 194,375	$ 19,438	$ 12,955

Tables 8-a & 8-b present similar information for taxpayers who do not own a home. Both of these tables influence the analysis performed on the 2 and 10 percent of AGI charitable contribution levels because it changes the applicability of the standard or itemized deduction.

4. Analysis of Data

Table 9. 2010 Income Calculations with 2% Charitable Donations

	Taxpayer 1		Taxpayer 2		Taxpayer 3		Taxpayer 4	
	w/o home	with home	w/o home	with home	w/o home	with home	w/o home	with home
Wages	27,080	27,080	44,737	44,737	67,617	67,617	182,015	182,015
Other Income	4,447	4,447	4,495	4,495	4,840	4,840	12,360	12,360
AGI	31,527	31,527	49,231	49,231	72,458	72,458	194,375	194,375
Standard Deduction	11,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400
Itemized Deduction	2,089	6,631	3,652	10,746	5,684	16,124	16,843	44,850
Applicable Deduction	11,400	11,400	11,400	11,400	11,400	16,124	16,843	44,850
Exemptions	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600
Taxable Income	5,527	5,527	23,231	23,231	46,458	41,733	162,932	134,925
Tax Liability	553	553	2,647	2,647	6,131	5,422	33,865	26,094
Withholdings	1,462	1,462	4,111	4,111	7,543	7,543	37,039	37,039
Marginal Tax Rate	10%	10%	15%	15%	15%	15%	28%	25%
Effective Tax Rate	10%	10%	11%	11%	13%	13%	21%	19%
Charitable Donation	631	631	985	985	1,449	1,449	3,888	3,888
Excess over Std. Deduction	0	0	0	0	0	4,724	5,443	33,450
Tax Benefit	0	0	0	0	0	188	808	752
Tax saved %	0	0	0	0	0	12.97	20.78	19.34

Table 10. 2010 Income Calculations with 10% Charitable Donations

	Taxpayer 1		Taxpayer 2		Taxpayer 3		Taxpayer 4	
	w/o home	with home	w/o home	with home	w/o home	with home	w/o home	with home
Wages	27,080	27,080	44,737	44,737	67,617	67,617	182,015	182,015
Other Income	4,447	4,447	4,495	4,495	4,840	4,840	12,360	12,360
AGI	31,527	31,527	49,231	49,231	72,458	72,458	194,375	194,375
Standard Deduction	11,400	11,400	11,400	11,400	11,400	11,400	11,400	11,400
Itemized Deduction	4,611	9,153	7,591	14,684	11,481	21,921	32,393	60,400
Applicable Deduction	11,400	11,400	11,400	14,684	11,481	21,921	32,393	60,400
Exemptions	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600
Taxable Income	5,527	5,527	23,231	19,947	46,377	35,936	147,382	119,375
Tax Liability	553	553	2,647	2,155	6,119	4,553	29,511	22,206
Withholdings	1,462	1,462	4,111	4,111	7,543	7,543	37,039	37,039
Marginal Tax Rate	10%	10%	15%	15%	15%	15%	28%	25%
Effective Tax Rate	10%	10%	11%	11%	13%	13%	20%	19%
Charitable Donation	3,153	3,153	4,923	4,923	7,246	7,246	19,438	19,438
Excess over Std. Deduction	0	0	0	3,284	81	10,521	20,993	49,000
Tax Benefit	0	0	0	355	11	918	3,892	3,616
Tax saved %	0	0	0	7.21	0.15	12.67	20.02	18.60

Table 9 presents tax calculations summary for the four taxpayers under the assumption that they donate 2 percent of their income to a qualified charity. For each taxpayer, two scenarios were created. Under the first scenario the taxpayer rented their home and under the second category they owned their home. To determine the tax savings first the taxpayer must receive a direct benefit by itemizing deductions. The tax benefit is defined as the dollar amount of effective tax that is reduced by donating to charitable foundations. The tax benefit is only looking at the benefit derived from the charitable contribution in excess of the standard deduction. This is because for any amount below the standard deduction, there is no direct benefit received from donating. This explains why taxpayer one never receives a benefit because of the ineffectiveness of choosing to itemize over claiming the standard deduction

All four taxpayers met the requirements and qualified for the married, filing joint standard deduction which for 2010 was $18,700. As shown in tables 9 and 10, taxpayers 3 and 4 itemized and taxpayer 2 only itemized when their donations were 10 percent of their income. To isolate and examine only the tax savings associated with charitable giving, we only evaluated the tax benefit associated with exceeding the standard deduction. For example, if the amount of expenses that exceeded the standard deduction was greater than charitable expense, the charitable expense was used to calculate the tax benefit, as seen in table IX for taxpayer 3 who owned a home. As compared to taxpayer 3 who doesn’t own a home, if the charitable expense were more than the amount exceeding the standard deduction, the excess standard deduction would be used. This was a necessary part of the calculation because we only wanted to examine the amount of charitable donations that resulted in direct tax benefits. We did not want to include the portion of charitable donation that was included in the amount prior to exceeding the standard deduction because figuratively doesn’t count as a tax benefit since every taxpayer is entitled to the standard deduction.

In sum, the tax benefits associated with donations are not available to taxpayers 1 and 2 regardless of whether they owned their homes. For taxpayer 3, tax savings of about 13 percent of the amount donated are generated only if they own their home. For taxpayer 4, tax savings are 20.78 and 19.34 percent with and without the home ownership.

In Table 10, we report tax calculations for the taxpayers by increasing their donations to 10 percent. The tax savings that result from this increase do not really show much change from the results in Table 9. However, now taxpayer 2 is able to save on taxes if he/she owns a home (7.31%). Without home ownership, taxpayer 3 barely saves, receiving only a 0.15 percent benefit. When home ownership is factored into the tax liability, savings jump to 12.67 percent.

Higher income taxpayers continue to save on their taxes at the rate of 20.02 and 18.60 percent without and with ownership of a home.

5. Conclusions

A taxpayer is more likely to receive the benefit of a charitable deduction if the taxpayer also owns a home which is secured by a mortgage. When the taxpayer does not own a home but does contribute to charity and has state income taxes withheld, only taxpayers 3 and 4 with higher incomes (approximately $72,000 and higher) benefited directly from the donations. If a taxpayer owns a home secured by a mortgage then the interest expense associated with a mortgage increase the itemized deductions over the standard deduction. Then the taxpayers receive the benefit as seen in the case of taxpayers 2, 3, and 4. However taxpayer 1, which represents persons making approximately $30,000 a year, does not receive any tax benefit from their charitable donations because regardless of the home ownership their standard deduction was greater than the itemized deduction.

What advice can the donors, their financial advisers and tax consultants take from this exercise? If the donor is thinking about giving to charity in the hope of saving taxes, he/she needs to take a close look at their income and standard versus itemized deductions available to them. Since lower income individuals may rely more on cheaper tax services, the tax preparation companies like H & R Block need to make their clients aware of more effective ways to save on taxes. Taxpayers who reside in major cities and generally rent need to pay even closer attention to their tax status. As always, taxpayers should consult their tax advisor to determine what is the most beneficial for their situations as tax laws and treatments involving charitable contributions are complex.

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