



Rick Kahler's  
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Want to save a bunch under the new federal income tax laws? Try bunching your deductions.

The new tax law doubles the standard deduction and eliminates most miscellaneous deductions. It takes a lot more of the limited allowable deductions left to reach the threshold for itemizing deductions instead of using the standard amount.

This means fewer Americans will be able to itemize. A [Jan 18, 2018 post by Dena Bunis at AARP.com](#) quotes Mark Mazur, director of the nonpartisan Tax Policy Center: "We've estimated that about 30 percent itemized in 2017, and we think that's going to go down to about the 10 percent range going forward."

By "bunching" donations and tax payments into alternating years, you may still be able to itemize your deductions every other year. The three main deductions you may be able to bunch are property and state income taxes (up to a cap of \$10,000), charitable donations, and medical expenses.

Here's how bunching works for a single person. Let's assume you have \$11,500 of deductions every year. This will not put you over the \$12,000 threshold, so you will take the \$12,000 standard deduction every year. However, if you can bunch all those deductions into alternate years, you could deduct \$23,000 one year and take the standard deduction the next year. Depending on your top income tax bracket, bunching might save you a tidy \$1,100 to \$4,070 every other year. (If you are married, just double these numbers.)

One of the easiest expenses to bunch in South Dakota is property taxes. Most property owners pay the first half of the prior year's taxes in April and the second half in October. However, county treasurers will allow you to pay your taxes in full on January 1 of each year. So, every other year you write a check to the county treasurer on December 31, bunching two years of property taxes into one year.

Charitable donations can also be easily bunched. You might simply double your donations one year and skip them the next (let smaller charities that rely on your contributions know you're doing this). Or you could use a donor advised fund (DAF). These funds allow you to make

sizeable charitable donations without even knowing which charities you want to support or when. The fund managers keep your money invested until you direct them when and to whom to disburse it. If you give \$6,000 a year to your church, for example, you could bunch two or more years of giving into one year and then have the DAF release the funds annually.

Medical deductions in excess of a percentage of your income (7.5% in 2018; 10% in 2019 and after) can be deducted if you itemize. Bunching elective procedures and other expenses into one year may put you over the threshold every other year.

AARP says that you may be surprised at some of the medical costs that are deductible. Those that [are eligible include](#):

- Out-of-pocket payments for prescription drugs and fees to doctors, dentists, chiropractors, psychiatrists, psychologists, podiatrists, physical or occupational therapists
- Health and long-term care insurance premiums
- Payments to nursing homes and other long-term care facilities
- Inpatient alcohol and drug treatment programs
- Modifications made to your home for medical reasons
- Transportation to and from medical appointments
- Dentures, prescription eyeglasses and readers, hearing aids, and durable medical equipment such as crutches or wheelchairs
- Smoking-cessation and weight-loss programs related to a specific disease.

Obviously, the potential for tax savings from bunching deductions will vary considerably. You may want to investigate what impact it could have for you. At least on alternate years, the savings might make you a happier taxpayer.