DONATING TO YOUR FAVORITE CHARITY

(we humbly suggest.

By Bert Languet

Donating to your favorite non-profit does not have to wait until December

People often think about charitable gifting towards the end of the calendar year. Considering donating to a charity does not have to wait. The needs that charities/non-profits have are year-round. Many non-profits year-end is June 30th.

The Rules

You may deduct charitable contributions of money or property made to qualified organizations if you itemize your deductions. With the Tax Cut and Jobs Act of 2017, the standard deduction was raised to $12,000 for individuals and $24,000 for joint returns which may mean that many folks no longer itemize. Generally, the deduction is up to 50 percent of your adjusted gross income for cash contributions and 30 percent for appreciated securities. Donations to foundations are limited to 30 percent and 20 percent respectively. Deductions in excess of your adjusted gross income can be carried forward up to five years.

For cash donations of $250 or more there must be a written acknowledgment from the charity that indicates how much was given and whether you received anything in return from the charity. You will need to determine the net deduction by deducting the value of anything you received from the charity from your cash contribution, unless there was an exemption.

Gifts of property require more documentation. In general, the fair market value of the property can be deducted. Deductions of $500 or more require completion of IRS Form 8283. If you claim a deduction of more than $5,000, then you will need a qualified appraisal of the property, unless it is publicly traded, such as a stock. Gifts above $500,000 require you to attach an appraisal to your tax return. Gifts of automobiles and other vehicles, which are special categories, may require specific treatment; the charity should provide instructions on how to handle them.

The Protecting Americans From Tax Hikes (PATH) Act of 2015 made "qualifying charitable distributions" from traditional IRAs and Roth IRAs permanent. This allows an individual to direct from the IRA trustee a contribution to the qualifying charitable organization with no intervening possession by the IRA owner who is at least 70 ½ years of age up to $100,000, avoiding the potential to trigger the 50 percent of the Adjusted Gross Income (AGI) limit. The transfer can satisfy the donors Required Minimum Distribution (RMD) for the tax year as well.

What to Give?

When giving to a charity it is often beneficial to give appreciated assets such as stock, artwork, or property and let the charity sell the asset, as they will not pay taxes on the capital gains. Smaller gifts are often in the form of cash as it is more convenient. Your own financial circumstances will dictate what you should give.

How to Donate?

Other than directly giving cash or assets, what are some ways to give funds to charities or non-profits?

Donor Advised Fund: With this fund, you can donate cash, stocks, or other assets and then decide where the money goes later while getting the deduction today. The fund is managed specifically to allow you to later direct to which charities you want funds sent.

Charitable Remainder Trust (CRT): In this type of trust, an individual establishes a trust and names a charity as the remainder beneficiary. Once the trust is funded, the assets are typically converted to income producing assets if not currently allocated in that manner. An example would be a piece of property that is sold, and the cash is used to purchase a portfolio of stocks and bonds that will generate a stream of income and dividends. You receive a tax deduction in the year of the gift. The CRT must distribute at least five percent of its initial value each year. You decide who gets the income and for how long. The income can go to yourself and/or your spouse and ceases upon the second death at which time the remaining assets pass to the charity.

Charitable Gift Annuities: With this type of annuity, you donate an asset to a specific charity, and it becomes an irrevocable gift. The funds become part of the general fund of the charity. In exchange for your donation, the charity makes payments to you for life, and when you die, the charity keeps the remaining funds and the payments cease. Part of your donation is tax deductible and part of your income is tax free. Always speak with a trusted tax advisor to fully understand how your gift will impact your taxes and lifestyle.

Before considering making a gift to charity, first consider your own financial situation. Will this gift or gifts detract from your own lifestyle? What is the best way to leverage the gifts for the most impact to the receivers? Discuss the potential gifts with your CPA, financial planner, and/or attorney to come up with a plan that assists your intended recipient(s) and makes the most financial sense for you.

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