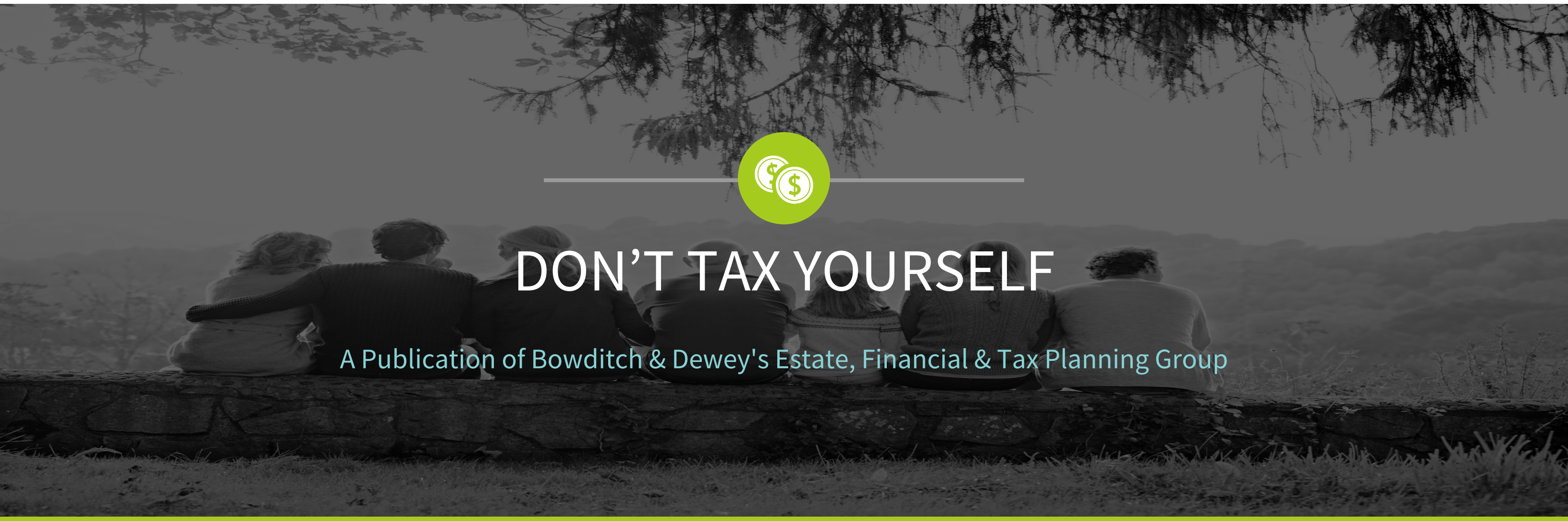

Maximizing End-of-Year Charitable Giving

BY EILEEN Y. LEE BREGER • DECEMBER 1, 2020

As the holiday season approaches, people are thinking about giving to charitable organizations. As a donor, you can be both philanthropic and tax-efficient in your charitable giving.

Estate Planning

One way to give is through your estate plan. This is as simple as including a provision in your will or trust, giving a specific sum or a portion of your estate to the charitable organization. You may designate that the funds be used towards a specific cause within the organization or for the general support of the organization.

Your estate may receive a charitable estate tax deduction for the gift to the organization.

Gift of Securities

There are ways to make lifetime gifts to an organization in a tax-efficient manner. You can give appreciated securities – a strategy that enables the organization to receive the full value of the stock and allows you to take an income tax charitable deduction and avoid the capital gains tax that you would otherwise pay if you had the sold the shares and then donated the proceeds to the organization.

IRA Gifts

You can designate an organization as the recipient of an IRA at your death by filing a beneficiary designation form with the IRA administrator. The organization can be the 100% beneficiary or you can specify that the organization receive a percentage of your IRA while individual beneficiaries receive the rest. As a charity, the organization does not pay income tax on withdrawals from the account, which means that the organization receives the full value of the gift.

Are you 70 ½ or older and have an IRA? Then there is special tax break for you as an older donor. You can give up to

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$100,000 directly from your IRA to an organization and that donation will count towards your required minimum distribution (for those over age 72). This strategy is known as a charitable IRA rollover or a charitable qualified distribution. The sum going to the organization is not included in your adjusted gross income (AGI). Therefore, you may be able to avoid certain penalties that come with a higher AGI, such as higher Medicare premiums.

The check must be paid from your IRA to the organization. The check cannot be made out to you and then you give the funds to the organization. It is recommended that you check with the IRA administrator and ask about its charitable rollover procedures.

Cash Gifts in 2020

Under the CARES Act, for contributions of cash paid to charitable organizations in 2020, individual taxpayers who itemize their deductions may elect to claim a charitable income tax deduction up to 100% of adjusted gross income (AGI). This suspension of the usual AGI limit of 60% also applies to charitable contributions made by partnerships and S corporations where the charitable contribution is then allocated to individual taxpayers.

A version of this article appeared in the Realizing Children's Strengths (RCS) Learning Center's newsletter, where Eileen Y. Lee Breger serves on the board.

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