

Charitable Gifts



GET A JUMP START ON YOUR CHARITABLE GIFTS.
You might want to consider whether you want to make any gifts this year to your favorite charities. If you do, you will be in good company.

According to the National Philanthropic Trust, 95.4% of households gave to charity in 2013 for a total of over \$241 billion in charitable gifts. High net worth donors gave to charity to support education (80%), basic needs (79%), arts (69%), health (65%) and religion (65%). The most common reason cited for charitable giving is to give back to the community. When considering gifts to charities, we recommend that you research the charities, consider whether you want to give cash or other property, pay attention to the timing of gifts and make sure you receive and retain the receipts that prove you donated.

CHARITABLE GIFTS

As you consider where to “spend” your charitable dollars, you may want to spend some time checking out the charities asking you for money. Are they legitimate? Do they use their money wisely? How much do they spend on fund-raising?

There are many ways to check up on charities.

- You can use Charity Navigator at charitynavigator.org to see whether the charity is rated.
- You can also check your state’s charitable database. For example, in Washington, you can go to sos.wa.gov/charities/DatabaseSearch.aspx.
- To see whether an organization is actually a charitable organization that qualifies for a charitable deduction, you can search for the organization on the IRS website. irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check
- Depending on the size and type of charitable organization, you could even look at the charity’s most recent tax filing by going to www.guidestar.org.
- Sometimes a general search in your favorite search engine will yield a plethora of information on your favorite charities, including their websites and comments by donors, stakeholders and others.

GIFTS OF CASH, SECURITIES OR OTHER PROPERTY

According to the IRS, most individuals simply give cash to their favorite charities. Less than 130,000 households made gifts of stock or other property. Depending on your circumstances, a gift of securities or other property could be smart tax planning. Individuals may deduct up to 50% of their adjusted gross income (AGI) for cash gifts made to public charities and up to 30% of their AGI for gifts of securities or other property to public charities. Individuals may deduct up to 30% of their AGI for cash gifts made to private foundations and up to 20% of their AGI for gifts of securities or other property to private foundations. When making gifts of securities



and other property to private foundations, the amount of the deduction is limited to your basis in the securities and other property, except for qualified (marketable) securities.

Making a gift of appreciated property, such as securities, can be a very smart strategy. By giving appreciated stock to your favorite charity, you incur no capital gains tax with respect to that gift yet you still can deduct the gift's full fair market value. If you have stock that has depreciated in value, generally the best practice from an income tax perspective is not to give the stock directly to charity, but instead, to sell the stock, take a loss on your tax return, and then give the proceeds from the sale to charity.

NO TIME LIKE THE PRESENT

Contributions are deductible in the year that they are made so be sure to make your charitable gifts by December 31. Credit card charges made before the end of the year are deductible even if the credit card bill isn't paid until the next year. Similarly, checks that are written and mailed by the end of the year will still be deductible in the year mailed even if they aren't cashed by the charity until the following year. While pledges are great, there will not be a charitable deduction until the pledge is actually paid.

Don't forget to check to see whether your employer matches your charitable contributions. If your employer offers this benefit you can make your gift go even further.

THANK YOU NOTES ARE IMPORTANT

There are strict substantiation requirements in order for you to claim a charitable deduction for your charitable gift. No deduction is allowed for cash gifts less than \$250 unless you have either a bank record documenting the gift or a written communication from the charity indicating your name and the amount and date of donation. For contributions of \$250 or more, you must obtain a contemporaneous written acknowledgment from the charity. If you make a noncash contribution valued above \$500, you must file Form 8283 with your return. If the noncash contribution of property is in excess of \$5,000, a qualified appraisal of the donated property must be obtained.

IF YOU STILL FEEL GENEROUS

Depending on your capacity to give and your appetite for complexity, you could consider establishing a donor-advised fund or forming your own private foundation. You could also do some planning to benefit both your family and your favorite charity by creating a charitable lead trust or a charitable remainder trust. These strategies take time to implement so allow yourself time to work out the details before the end of the year.

We hope these smart strategies help you to donate to your favorite charities while also maximizing your charitable deductions.