



Intelligent Investing

Hans Blake, CFA, CPA

Principal

33 Market Point Drive

Greenville, SC 29607

864-402-4267

hans@investedwithyou.com

www.investedwithyou.com



Year-End Charitable Giving



With the holiday season upon us and the end of the year approaching, we pause to give thanks for our blessings and the people in our lives. It is also a time when charitable giving often comes to mind. The tax benefits associated with charitable giving could potentially enhance your ability to give and should be considered as part of your year-end tax planning.

Example(s): Assume you are considering making a charitable gift of \$1,000. One way to potentially enhance the gift might be if you increase it by the amount of any income taxes you save with the charitable deduction for the gift. With a 28% tax rate, you might be able to give \$1,389 to charity ($\$1,389 \times 28\% = \389 taxes saved). On the other hand, with a 35% tax rate, you might be able to give \$1,538 to charity ($\$1,538 \times 35\% = \538 taxes saved).

A word of caution

Be sure to deal with recognized charities and be wary of charities with similar sounding names. It is common for scam artists to impersonate charities using bogus websites and through contact involving email, telephone, social media, and in-person solicitations. Check out the charity on the IRS website, irs.gov, using the Exempt Organizations Select Check search tool. And don't send cash; contribute by check or credit card.

Tax deduction for charitable gifts

If you itemize deductions on your federal income tax return, you can generally deduct your gifts to qualified charities. However, the amount of your deduction may be limited to certain percentages of your adjusted gross income (AGI). For example, your deduction for gifts of cash to public charities is generally limited to 50% of your AGI for the year, and other gifts to charity may be limited to 30% or 20% of your AGI. Charitable deductions that exceed the AGI limits may generally be carried over and deducted over the next five years, subject to the income percentage limits in those years. Your overall itemized deductions may also be limited based on your AGI.

Make sure you retain proper substantiation of your charitable contribution for your deduction. In order to claim a charitable deduction for any contribution of cash, a check, or other monetary gift, you must maintain a record of such contributions through a bank record (such as a cancelled check, a bank or credit union statement, or a credit card statement) or a written communication (such as a receipt or letter) from the charity showing the name of the charity, the date of the contribution, and the amount of the contribution. If you claim a charitable deduction for any contribution of \$250 or more, you must substantiate the contribution with a contemporaneous written acknowledgment of the contribution from the charity. If you make any noncash contributions, there are additional requirements.

Year-end tax planning

When making charitable gifts at the end of a year, it is generally useful to include them as part of your year-end tax planning. Typically, you have a certain amount of control over the timing of income and expenses. You generally want to time your recognition of income so that it will be taxed at the lowest rate possible, and time your deductible expenses so they can be claimed in years when you are in a higher tax bracket.

For example, if you expect that you will be in a higher tax bracket next year, it may make sense to wait and make the charitable contribution in January so that you can take the deduction next year when the

deduction results in a greater tax benefit. Or you might shift the charitable contribution, along with other deductions, into a year when your itemized deductions would be greater than the standard deduction amount. And if the income percentage limits above are a concern in one year, you might consider ways to shift income into that year or shift deductions out of that year, so that a larger charitable deduction is available for that year. A tax professional can help you evaluate your individual tax situation.

IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

