

CHARITABLE GIVING OPTIONS WITH TAX BENEFITS

With recent changes to the tax law, you may be wondering if there will be any tax benefit to your charitable giving. Most people give because of the cause and not the tax consequences. However, there is some confusion about philanthropy and the new tax law. It is worthwhile to take a closer look at some of the options donors have.

- **Will I still be able to claim my donations?** Yes, for 2018 onwards you will still be able to deduct your charitable donations. That said, in 2018 onwards some taxpayers will find greater advantage in choosing the standard deduction over itemizing because the new tax law has essentially doubled the standard deduction for most Americans. **We have attached some ideas that may help some donors in this new tax situation.**
- **Can I donate as much as before and get a tax benefit?** The charitable contribution cap has been expanded as a percentage of Adjusted Gross Income (AGI). In previous years it was capped at 50% of AGI for cash gifts. It is now 60% of AGI for cash gifts (30 to 50% of AGI for assets, stocks and property). Unused amounts can be carried forward.

USEFUL INFORMATION

Skagit Land Trust

EIN # 91-1533402

Mailing Address:

PO Box 1017
Mount Vernon, WA 98273

Office Address:

1020 South 3rd Street
Mount Vernon, WA 98273
360-428-7878

email Address:

mollyd@skagitlandtrust.org
360-428-7878 (ext. 202)

Skagit Land Trust has a brokerage account with Charles Schwab that accepts stock, bond and mutual funds gifts. Please let us know of your gift so we can thank you and send the tax receipt.

Brokerage Company

Charles Schwab & Co
Account #: 8378-8129
DTC #: 0164 Code 40

Account Registration: SKAGIT LAND TRUST

Account Type: CHARITY NONPROFIT ACCOUNT

Charitable Stacking or Lumping

This is emerging as a new charitable giving strategy due to the higher financial bar for itemizing one's taxes. By "bunching" charitable gifts every other year or every few years, people can take better advantage of their deductions. **Please let us know if your gift is stacked/lumped, so that we record that and retain your membership benefits over the intervening years.**

In the 2018 tax year, a married couple claims the maximum property tax deduction of \$10,000. This couple also paid \$6,600 in mortgage interest. They will need more than \$8,000 of additional deductions to exceed the new standard deduction of \$24,000. Their annual donations to their charities is normally \$4,000. In 2018 they decide to give \$8000 – twice their normal amount, and not give in 2019. This allows them to itemize deductions in 2018 for a total deduction of \$24,600. In 2019, they will use the standard deduction.

Donor-advised funds

Donor-advised funds (DAF) are "giving accounts". A donor may be able to itemize and thus take a tax deduction by making a larger gift to a donor advised fund in one year, from which annual gifts can be made over several years. Most brokerages like Schwab, Fidelity, BNY Mellon, and Vanguard as well as non-profits like The Seattle, Skagit, and Bellingham Community Foundations offer donor-advised funds. Each has different minimum contributions and fees. Donor-advised funds can be funded through gifts of cash or securities. Contributing appreciated securities provides added tax savings as there are no taxes on the capital gains. The money you give is directed over the course of several grants to the charities you recommend. The board has the ultimate authority to either accept or reject the recommendation. In practice, the governing body of a DAF rarely rejects a donor's grant recommendation, but some donors prefer to retrain full discretion over how their funds are dispersed. In this case they could consider a Private Foundation.

Private Foundation

A private Foundation is a distinct legal entity. An old chestnut is that you need assets of \$5 million or more to justify the expenses associated with managing a private foundation. In fact, nearly 70% of private foundations have assets under \$1 million. Many brokerages and banks can help set up a foundation. Because a private foundation can always be converted into a DAF but not vice-versa (fund sponsors typically have rules against gifting assets to a private foundation), choosing a private foundation leaves this door open.

[We strongly encourage you to discuss your options with your accountant or financial advisor.](#)

DONATING STOCKS, BONDS & OTHER ASSETS

When you donate stocks, bonds, and mutual funds to charity, if itemizing, you'll generally take a tax deduction for their full fair market value. **In 2018, donating appreciated stocks, bonds or other assets instead of cash still avoids all capital gains taxes regardless of whether or not a donor itemizes.**

For example, if you donate a stock that has increased in value since you bought it more than a year ago – and if you itemize deductions -- you can take a charitable deduction for the stock's fair market value on the day you give it away. You will also avoid capital-gains taxes on the increase in value over time, which you would have had to pay if you sold the stock and then gave the charity the cash proceeds. You can deduct the fair market value only if you hold the stock for more than a year before giving it away. You may also immediately buy identical stocks, bonds or other assets to replace the donated ones.

Ask Skagit Land Trust (360-428-7878 or mollyd@skagitlandtrust.org) for our Stock Donation Instruction Sheet. You will want to speak with your brokerage firm about the procedure and time frame for giving stock. Most banks and brokerage firms require a letter of instruction or letter of authorization to transfer the shares to charity, and a mutual fund company may have a special form.

Please let us know if you have initiated this process so we can alert our investment advisor that the stock will arrive in our account. We will then send you a charitable tax receipt for the day it arrives.

DONATING VIA A QUALIFIED CHARITABLE DISTRIBUTION

This provision, [which the IRS calls a Qualified Charitable Distribution](#), allows anyone aged 70.5 or older to donate money from their IRA account directly to a charitable organization without that gift counting as "income". **This tax benefit is the same regardless of whether or not the donor is itemizing.**

What is a qualified charitable distribution?

Generally, a qualified charitable distribution is an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or over that is paid directly from the IRA to a qualified charity. See [Pub. 590-B](#), Distributions from Individual Retirement Arrangements (IRAs) for additional information.

Can a qualified charitable distribution satisfy my required minimum distribution from an IRA?

Yes, if you are 70.5 or older, your qualified charitable distributions can satisfy all or part the amount of your required minimum distribution from your IRA. You can also transfer more than your required annual distribution.

How Much Can I transfer?

If you or your spouse meet the age requirement, you can transfer up to \$100,000 a year (per person who meets the age requirement) without paying any tax on that transaction. Any money you transfer via one of these distributions reduces the amount you must take in required distributions.

Other Considerations

A point worth noting: you may still transfer up to \$100,000 a year even if your RMD is less than this amount. The amount in excess of the RMD is not treated any differently, for tax purposes (it does not count as income and you do not take an itemized deduction for the amounts). This strategy also helps reduce your Adjusted Gross Income (AGI). Your AGI determines how much of your Social Security is subject to income taxes, if you will be subject to the Net Investment Income Tax, and the amount of your Medicare premiums in the following year. So, lowering income can indirectly reduce other costs.

Can I Give to More Than One Charity?

There are no IRS limitations on how many or how small the distributions may be to your favorite charities, so it only depends on your brokerage firm and any limitations they may have.

How Do I Make the Gift?

Most brokerage firms will assist you with these transactions, only requiring that you provide the name, address, and other pertinent information for the charities. From there they will either disburse the checks directly to the charities, or send the checks to you to pass along.

Please let us know if you have initiated this process so we can direct the donation per your wishes when it arrives.