DONATING APPRECIATED STOCK TO CHARITY – TAX SAVINGS STRATEGY

When making a donation of appreciated stock to charity the person donating the stock can take advantage of a tax planning strategy. Stock that has gone up a lot in value since date of purchase is “appreciated stock”. The asset donated could also be mutual funds or bonds. For specifics you need to consult your own financial or tax planner.

For example Barack bought Microsoft stock in 1995 for $10.00 per share. In 2019 it is worth $113.37 per share. Basically, if he sells that stock now he will have to pay tax on the increased value. The amount of tax he owes is calculated based on his personal tax situation.

BUT instead of selling the stock Barack decides to give 100 shares of his appreciated Microsoft stock to UUCSC He will not pay any tax on the increase in value as he would if he sold the stock. Barack directs his broker or financial planning adviser to arrange to transfer 100 shares of stock directly to the UUCSC account at Charles Schwab.

UUCSC has an account at Charles Schwab into which persons can transfer stock. Then the stock is sold and the proceeds transferred to the UUCSC bank account. Barack can count the full value of the stock as of date of donation as a charitable gift. No tax is due based on the increased value of the donated asset..

DISCLAIMER: This is general information only and is not to be relied on as tax,financial, or legal advice. Each person should seek advice from their own financial, tax or legal advisors and not rely on this information for their own planning.

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Prepared by Marcia J. Boyd, Esq.

DONOR ADVISED FUNDS – NEW TAX PLANNING STRATEGY

In general, the new tax laws make it harder to benefit from charitable donations to reduce income tax because of the increased standard deduction. Each person's situation is different and their income tax is based on their own income and deductions. For specifics you need to consult your own tax preparer.

The new tax law does include one new way to save income tax by putting money into a **DONOR ADVISED FUND (DAF).**

A DAF is a fund you set up with your financial institution. For example Fidelity has set up Fidelity Charitable. By setting up their DAF the donor has the option of making a larger donation up front in one year and then directing the payouts over a number of years into the future. In general the fund would have to make donations to more than one charity. The amount of the income tax benefit in the year the DAF is set up depends on the taxpayer's individual situation.

Hillary decides to put $ 80,000.00 from her investment account at Fidelity into her new DAF by having funds transferred into her new account with Fidelity Charitable. She can either deduct the entire $ 80,000.00 this year or spread the deduction over future years, depending on her own overall income and tax situation.

Hillary decides to give $50,000.00 to the UUCSC Our Living Legacy fund. So she directs the DAF to send $50,000.00 to UUCSC to pay the entire donation this year. She plans to give $10,000.00 next year to Planned Parenthood and $15,000.00 the following year to the National Alliance on Mental Illness (NAMI). She has not yet decided how to distribute the remaining $ 5,000.00. The funds remaining in her DAF will earn income tax free.

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IRA DONATIONS TO CHARITY FOR PERSONS AGED 70 1/2 AND OLDER

A person who is aged 70 ½ or older, who has an IRA or similar account, can take advantage of a special tax strategy. If a contribution to a charity is made directly from the IRA account, by a check payable to the charity, this payment is ***not*** counted as income on the person's tax return. The annual limit for such contributions is $100,000.00 per year.

For example, Ruth Bader is over 70 ½. She has an IRA account at Vanguard. Based on the IRS formula and life expectancy tables, and the total dollars in her IRA*, she has to take out $6,536.17 this year as her Required Minimum Distribution (RMD). The $6,536.17 is taxable income to Ruth.

BUT Ruth has pledged $5,000.00 for her annual pledge to UUCSC. Ruth can ask Vanguard to send a check to herself, payable to UUCSC, for the amount of $5,000.00. She then gives this check to John Roberts, the Collector. The $5,000.00 will **not** be reported as taxable income.

Ruth also has pledged $75,000.00 to the Our Living Legacy Fund. She also asks Vanguard to send her a check for $ 75,000.00, payable to UUCSC, which she will also give to John Roberts for the OLL campaign.. The $75,000.00 also will **not** be reported as taxable income as it is below the annual limit of $100,000.00

Melania has a much smaller IRA and her RMD is $1,571.06, based on the size of her total IRA (Calculation is based on account balance prior Dec 31.) and her age. Melania is also over 70 ½. She is giving $5,000.00 to the Our Living Legacy fund (with Vanguard check from her IRA payable directly to UUCSC). She also has Vanguard send her a check payable to UUCSC for $1,200 which is her annual pledge. None of these funds are reported as taxable income for the year received by UUCSC.

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