

A Guide to

# Year-End Giving



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# ***A Guide to Year-End Giving***

*A clear year-end giving plan can maximize your generosity this year and set you on a path for creative generosity next year as well.*

# An Ideal Time to Plan

As followers of Jesus, we strive to follow the example in John 3:16, “For God so loved the world that He gave. . .” To maximize our giving, it is valuable to pause and consider:

- The types of assets ministries can receive
- The tax benefits of giving various assets

# Planning Your Gift

Depending upon the size and organization structure of each ministry, you may consider making your gifts from these types of assets.

## 1. Cash

The simplest asset to give is cash. To receive a deduction for the gift, make certain it is postmarked or delivered before the end of the year.

## 2. Qualified Charitable Distribution from IRA

If you are age 70 1/2 or over, you can transfer up to \$105,000 directly from your IRA to charity **this** year.

Timing is very important. You want to make certain that there is sufficient time for your account custodian to process your request, allowing your gift to be completed by December 31.

## 3. Gifts of Appreciated Assets

If you own assets that have appreciated in value (stocks, bonds, real estate), and if you gift the asset to

charity, you can avoid the capital gain tax payable if you sold the property. And your income tax charitable deduction will be for the full fair market value of the asset.

Timing your gift of securities is important. If the securities are sent directly to the charity or delivered to the charity's broker, the valuation and your deduction will be based on the date of the transfer.

However, if you send the securities through your broker to be reissued in the name of the charity, the transfer date will be the date the securities are transferred on the books of the issuing corporation. Since that date is unpredictable, you will want to make sure that it is completed before year end, and on a day when the market is favorable.

## 4. Gifts of Life Insurance

You may give ownership of an existing life insurance policy to ministry and receive an income tax charitable deduction for the cash value of the policy. You may also take a charitable deduction for remaining premium payments as you make them.

## Planning Your Gift (cont.)

If you purchase a new policy naming a ministry as owner, your income tax charitable deduction will be for your contributions toward the payment of premiums.

### 5. Gifts of Tangible Personal Property

You may wish to make a gift of tangible personal property to a charitable organization. If the asset is related to the tax-exempt function of a charity and you have owned the property for more than one year, you may deduct the fair market value of the asset without paying capital gains tax on the appreciation.

If the asset is not put to a related use by the ministry, the deduction will be limited to your cost basis.

### 6. Gifts from Business

A corporation can deduct contributions up to 10% of the corporation's taxable income. The gift can be of cash, inventory, equipment or crops. Contributions other than cash may be more convenient to make. If the business authorizes the gift this year, the gift must

be completed prior to the filing of the business tax return for the current year.

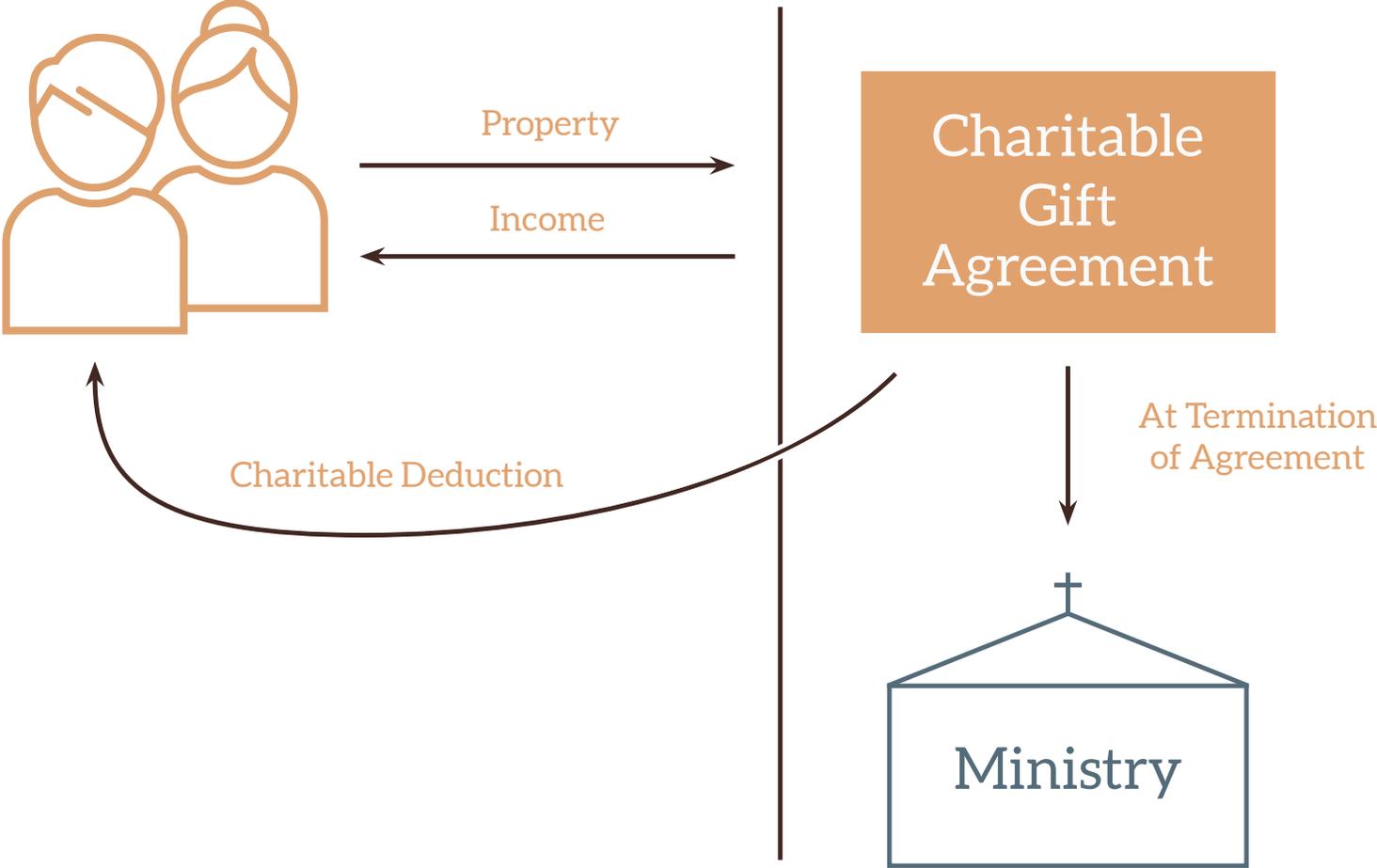
If you are employed by a corporation, check with your employer to see if they match gifts made by their employees to approved or qualified charities.

### 7. Gifts with Retained Income

It is also possible to make a gift to ministry and receive an income tax charitable deduction even though you retain income from the asset you transfer. Your gift can be designed to meet your income needs and provide maximum tax benefits.

If you own stocks, bonds, real estate, or even your personal residence or a farm, and make an irrevocable agreement that the property will be available to ministry at your death, you can receive an income tax charitable deduction.

# How a Charitable Income Agreement Works



# Year-End Generosity Strategies

While the tax benefit is not our primary motivation to give, as stewards it is important that we plan wisely to take advantage of the strategies available.

## Giving Appreciated Property

If you have appreciated property that you plan to sell in the future, consider gifting the property. You receive a current income tax charitable deduction and avoid the capital gains tax payable on the sale.

**Example:** You own securities valued at \$10,000, for which you originally paid \$4,000. If you sell the securities you will have a \$6,000 capital gain, resulting in a tax of \$1,320 assuming a 22% combined federal and state capital gains tax bracket.

If instead of selling the securities you use them to make your gift, you avoid the \$1,320 of capital gains tax and you receive a charitable deduction for the full \$10,000. In a 35% combined federal and state income tax bracket, this may save you \$3,500 in taxes.

## Sell Securities That Have Decreased in Value

If you own securities which are worth less now than what you paid for them, you could sell the securities and gift the proceeds.

You can claim a capital loss on your income tax return, which you would forfeit if you gave the securities. In addition, you still receive an income tax charitable deduction for the full value of your gift of the proceeds.

## Qualified Charitable Distribution from IRA

If you are over age 70 1/2 you may transfer up to \$105,000 directly from your Individual Retirement Account (IRA) to charity in 2024, without tax implications.

The gift from your IRA must be made directly to a public charity. Gifts cannot be made to private foundations, donor advised funds, or deferred gift plans, such as a charitable remainder trust.

## Year-End Generosity Strategies (cont.)

The Qualified Charitable Distribution (QCD) has many advantages:

1. It is simple. You do not count the distribution as income, and you need not claim a charitable deduction to receive the benefit.
2. You receive a benefit equal to a charitable deduction, even if you do not itemize when you file your tax returns.
3. A Qualified Charitable Distribution can be in addition to other charitable gifts and will not be subject to the 60% limitation on charitable gifts.
4. If the required withdrawal from your IRA is causing additional tax on your Social Security income, the Qualified Charitable Distribution from your IRA can be used to reduce this tax.

## Prepay Contributions to Receive Maximum Deduction

If your current itemized deductions do not exceed the standard deduction, you may wish to prepay contributions you have planned for two or more years. This may allow you to receive the benefit of itemization beyond the standard deduction.

If you have made pledges that are payable over several years, fully paying those pledges this year may create a charitable deduction in excess of your standard deduction.

You may also consider a donor advised fund to “bundle” your giving for future years, allowing you to itemize when filing your taxes this year. Then in non-itemization years you still have use of the standard deduction.

## Tax Rules Governing Your Charitable Donations

There are basic tax rules to consider when planning your contributions.

1. If your gift is of cash, you are allowed a charitable deduction up to 60% of your adjusted gross income. Any excess can be carried over for up to 5 additional years.
2. If your gift is of long-term appreciated assets, you are allowed a charitable deduction up to 30% of your adjusted gross income, also with a 5-year carryover for any excess.
3. When you gift long-term appreciated assets to charity, there is no capital gains tax payable at the time of the transfer, or when the property is later sold by the charity.

## Why Consider Year-End Charitable Gifts?

You give as a part of your lifestyle, your personal commitment to Christ. Your generosity reflects your desire to help fulfill the missions of the ministries you love. Saving taxes is a consideration only after you have decided to make a gift. As a responsible steward, it is important to explore and achieve maximum tax benefits.

As you consider your year-end generosity planning and continue to develop your lifestyle of giving, we pray that God will richly bless you. As you pray and as you give, you are an important partner in ministry.

Please let us know if we can help you explore the maximum tax benefits available with a gift from your Individual Retirement Account, appreciated assets, or a gift from which you wish to retain income.

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