BOSTON FINANCIAL MANAGEMENT

CHARITABLE GIVING

If you have a high-income year (perhaps from a Roth conversion), charitable gifts can provide an income tax deduction to offset that income.

Special rules for 2020 CARES Act

- Separate deduction for up to $300 in cash gifts if you do not itemize
- Can deduct up to 100% of adjusted gross income for cash gifts

Consider making gifts of appreciated stock

- Donor can deduct full value and charity does not pay income tax
- More tax-efficient than selling stock and paying capital gains
- Great strategy if you have concentrated position of appreciated stock
- Deduction is limited to 30% of adjusted gross income

Consider "bunching" gifts

- Standard deduction is higher after enactment of Tax Cuts and Jobs Act - $24,800 for married filing jointly and $12,400 for individual
- As a result, fewer people are itemizing and may not see tax benefit from charitable gifts
- Solution: make gifts in alternate years, aka "bunching"
- In a year when you make larger charitable gifts, you itemize; in other years, make no gifts and take the standard deduction

Donor Advised Fund

- Great way to make large gifts in one year
- You get deduction in year of contribution but can spread out benefit to charity by making grants overtime

Qualified Charitable Distribution from IRA

- If you are over 70 1/2, you can make a direct gift from IRA to charity of up to $100,000
- It reduces your required minimum distribution (RMD) for that year
- You do not get a charitable deduction, but that amount is not included in income
- Note: these gifts may not be made to Donor Advised Funds or private foundations

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