

# GIVING TIPS

As 2022 comes to a close, here are some giving opportunities for charitable tax deductions. Please consult your financial advisor, tax attorney or CPA about how the information below could apply to your situation.

If our finance team can serve you in any way, please contact Karen Wedeven at [KarenW@FearlessFollower.org](mailto:KarenW@FearlessFollower.org).

## **GIFT OF CASH:**

This is a simple way to gift and the most common. Generally, taxpayers must itemize their deductions in order to benefit from a cash contribution. However, a special rule applies for 2020 and 2021 that allows taxpayers to claim \$300 (increased to \$600 for joint filers in 2021) in addition to their standard deduction for gifts to qualifying charities. Also for 2020 and 2021 only, charitable contributions of cash given directly to a qualified charity have the potential to offset up to 100% of your adjusted gross income (AGI) (60% of AGI for cash gifts to a donor advised fund, 30% for cash gifts to a private foundation). See page 2 for rules that may limit your deduction.

## **GIFT OF APPRECIATED SECURITIES HELD LONGER THAN A YEAR:**

Taxpayers are allowed a charitable deduction generally equal to the fair market value of the security and avoid paying capital gains tax on the unrealized gain. Thus, they are potentially giving more to the charity than if they had liquidated the asset and donated the cash net of taxes. Taxpayers must itemize in order to claim a charitable deduction. See page 2 for rules that may limit your deduction.

## **QUALIFIED CHARITABLE DISTRIBUTION (QCD):**

For taxpayers age 70 ½ or older, a QCD allows you to gift directly from your IRA up to \$100,000 per year to qualifying charities. QCDs are tax-free distributions and count toward satisfying your required minimum distribution (RMD). No deduction is allowed since the distribution is not taxable. This strategy is beneficial if the taxpayer will not itemize their deductions in the current year. It could also help taxpayers control their adjusted gross income (AGI) which is used to determine many tax-related limitations.

**Note:** The amount of the QCD you are able to exclude from your income is reduced by any deductible IRA contributions you make in the year you reach age 70½ or after.

## CHARITABLE BEQUESTS AT DEATH – IRAS, ANNUITIES, LIFE INSURANCE, AND RETIREMENT PLANS:

By naming a charity as the beneficiary of your IRA, annuity, life insurance policy, or employer retirement plan, assets avoid both income tax and estate taxation upon passing to charity at death. However, taxpayers do not benefit from a deduction during their lifetime and the assets will not be available to their heirs.

## “BUNCHING” OF CHARITABLE CONTRIBUTIONS:

If your itemized deductions are less than the standard deduction, your charitable contributions are not deductible (other than the limited amount for cash gifts listed above). Evaluate the impact of bunching a couple years' worth of charitable contributions into the current year. This may increase your itemized deductions above the standard deduction threshold so you can receive a tax benefit for those gifts.

A Donor Advised Fund (DAF) is a charitable giving vehicle which can assist with “bunching” of charitable contributions into a given year. The contribution to a DAF is an irrevocable gift allowing the taxpayer to take a tax deduction in the current year, but provides flexibility in dispersing the funds to specific charities over future years. Establishing a DAF is also beneficial in a year where your taxable income may be unusually high. DAFs accept long-term appreciated securities, as well as cash. **Note:** DAFs are not considered qualifying charities under the QCD rules, or for the additional standard deduction or expanded AGI limit for cash contributions in 2020 and 2021.

*Learn more about giving and see the full article from Wells Fargo by clicking here*



**FEARLESS**  
FAMILY OF CHURCHES

340 104<sup>TH</sup> Ave  
Holland, MI 49423

FEARLESSFOLLOWER.ORG  
616.395.2600