Did you know?

There are ways to use legitimate tax planning to enhance the benefit of your charitable contribution. Below are some examples of how this can work. These examples are general. The detailed tax provisions or your specific tax situation may affect the applicability of these ideas for your situation. Therefore, we suggest you contact your tax adviser about any questions you may have.

Big gain, big plus: If you have stock or mutual fund shares that have appreciated in value they can be used to make very efficient charitable contributions. Generally, you can deduct the fair market value of the contributed securities without being taxed on the capital gain that would be recognized if the securities were sold and the cash donated to the church. This is a great solution for securities for which you may not be able to readily determine the tax basis- such as old mutual funds with years of dividend reinvestment.

Diversions: OK, this one is a bit more complicated, but there is a special incentive for certain taxpayers to make charitable contributions. To qualify, you have to be at least 70 ½ years old and have an IRA. If so, you may be able to make direct charitable contributions of up to $100 thousand per year from your IRA (but, unfortunately, not a 401(k)) and avoid reporting the distribution as taxable income. While you do not get a charitable contribution deduction for the same amount, it does count as a "minimum distribution" and may be advantageous to certain taxpayers, particularly if they claim the standard deduction rather than itemizing deductions. (For 2021 the standard deduction for a single taxpayer over 65 is $14,250. For married taxpayers, both over 65, it is $27,800.)

Thanks a bunch: With recent changes to itemized deduction limits and the standard deduction it may be advantageous to "bunch" your deductions. For example, you can make both your 2021 and 2022 donations in calendar 2021, claim the itemized deduction amount then and claim the standard deduction in 2022, lowering your overall tax for the two years.

Reminder

As with any tax planning opportunity there may be specific rules or limitations that affect your situation and you should consider consulting your financial adviser.