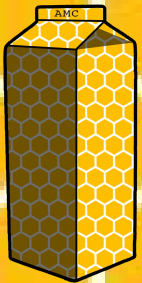


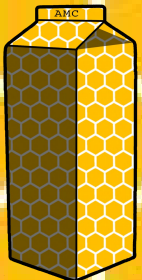
# Tax Wise Giving A Seminar



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# Introduction

- Our purpose:
  - Provide giving ideas-“food for thought”
  - Answer common questions
  - NOT to convince you to give



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# Giving Ideas-Cash

- Easiest asset to give-usually by writing a check
- No difficulty valuing the gift
- Church and individuals must follow IRS guidelines for gift substantiation

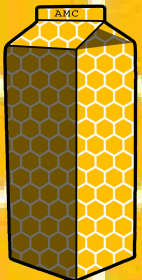


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# Giving Ideas-Cash

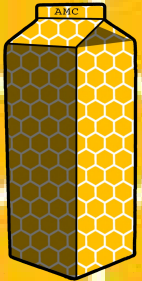
## Creative ways to give cash

- Inheritance
- Income Tax Refund
- Matching gifts through employer



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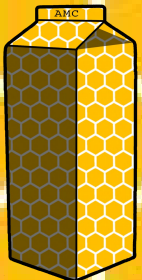
# Giving Ideas-Major Assets



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# Giving Ideas-Major Assets

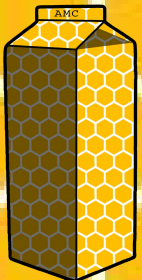
- Assets other than cash:
  - Certificates of Deposit
  - Securities (stocks, bonds, mutual funds)
  - Life Insurance Policies
  - Real Estate



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# Gifts of Certificates of Deposit

- Give (assign) certificate to the Church
  - Church receives interest until maturity
  - Church receives principal at maturity
  - Avoids penalty for early withdrawal
- You receive tax deduction for fair value of CD at date of gift
  - Principal plus accrued unpaid interest



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# Gifts of Securities

- Capital gain assets examples:
  - Stocks
    - Publicly traded
    - Closely held (C corp. best)
  - Mutual Funds
  - Bonds (not U.S. Savings Bonds)
- Must be held more than one year to deduct Fair Market Value. Otherwise, can only deduct donor's cost basis

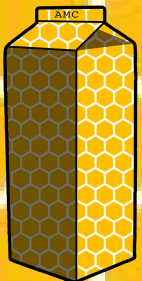


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# Power Giving Principle

- It is better to GIVE an appreciated asset rather than to SELL it.
- If you SELL first, you must pay tax on your gain before you can make the gift.
- This results in more money to the IRS, less of a tax deduction for you, and less money to your church.



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# Power Giving Principle: An Example

|                                 | <u>Sell 1<sup>st</sup></u> | <u>Give 1<sup>st</sup></u> |
|---------------------------------|----------------------------|----------------------------|
| Value of Securities             | \$20,000                   | \$20,000                   |
| Cost Basis                      | \$10,000                   | \$10,000                   |
| Tax on Gain at Sale(15%)        | \$1,500                    | 0                          |
| Amount to Church                | <u>\$18,500</u>            | <u>\$20,000</u>            |
| Net Tax Benefit (@25% tax rate) | \$3,125                    | \$5,000                    |

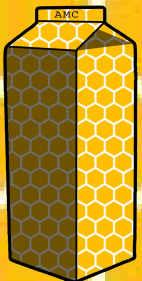
**\*IRS Gets \$1,875 more if you sell first!**



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# Gifts of Real Estate

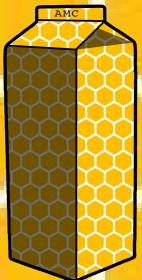
- Examples: vacant land, improved real estate, farm land
- Same principles apply as in the case of securities
  - Donate appreciated property
  - Sell property which has declined in value from adjusted cost basis and donate proceeds



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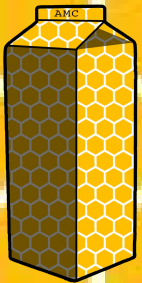
# Gifts of Insurance Policies

- Is there a policy no longer needed for protection?
  - Give policy now to the Church
  - Income tax deduction will depend upon:
    - Type of policy
    - Cost basis in policy
  - Substantiation-IRS form 8283 and an appraisal may be required depending on value of gift
    - IRS form 712 obtained from Insurance Company may be helpful



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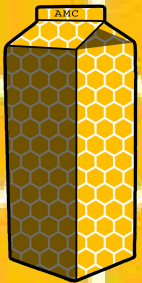
# Giving Ideas-Other



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# Giving Ideas – Other

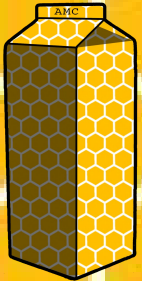
- Tangible Personal Property  
Examples: (coins, stamps), vehicles, etc.
- Normally, donor's deduction limited to the lower of cost or value
- Church provides receipt of gift with description – donor responsible to value gift



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## Giving Ideas – Other

- Gic
- AVOID: Retirement Plan Assets (IRA, 401k)
- Refinance your mortgage



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# Giving Ideas-Other

Consider selling stock that has declined in value & donating proceeds:

|                           |                 | <u>Tax Savings @ 25%*</u> |
|---------------------------|-----------------|---------------------------|
| Stock Purchase Price      | \$10,000        |                           |
| Current Market Value      | <u>\$ 6,000</u> |                           |
| Loss, if Sold             | <u>\$ 4,000</u> |                           |
| Sell and Donate Proceeds: |                 |                           |
| Loss on Sale              | \$ 4,000        | \$ 1,000                  |
| Charitable Contribution   | \$ 6,000        | <u>\$ 1,500</u>           |
| <b>TOTAL TAX SAVINGS</b>  |                 | <u><b>\$ 2,500</b></u>    |

Note: "Loss on Sale" only deductible against ordinary income for up to \$3,000 per year with unlimited carry forward available

\* Your tax rate may be more or less depending upon your level of taxable income.



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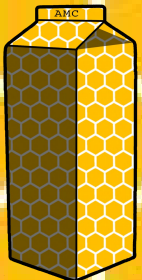


# Charitable IRA



# IRA Charitable Rollover Made Permanent

- Giving Opportunity from IRAs
- Conditions to qualify:
  - Distribution made from your IRA directly to the church
  - IRA owner must be at least age 70.5
  - Limit of \$100,000 per year per donor



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# IRA Charitable Rollover Benefits

- Transfer to church counts toward IRA owner's Required Minimum Distribution (RMD)
- Transfer does not generate taxable income or a charitable deduction



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# IRA Charitable Rollover

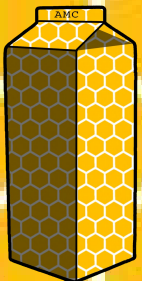
## Possible Personal Benefits

- This strategy may have benefit if you:
  - Do not itemize your deductions
  - Pay a state income tax, but can't deduct charitable gifts on your state tax return
  - Encounter deduction limitations due to exceeding certain income thresholds
  - Pay income taxes on your Social Security income (due to receiving RMD)



# Appendix

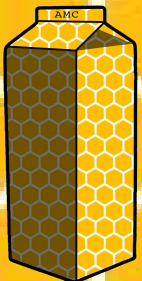
Following are more complex transactions, that may be of interest to some individuals. If any of these strategies seem to apply, you should arrange a meeting with your tax professional to further explore.



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# Consider establishing a Donor Advised Fund

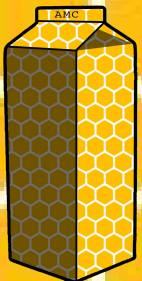
- Especially helpful if you...
  - Have a highly appreciated substantial asset (real estate or closely held C corporation)
  - Want to gift entire asset, but not to just one charity
  - Want to make current gift to church capital campaign with part of asset
  - Are not yet certain of other charitable beneficiaries



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# Donor Advised Fund - Plan:

- Gift entire asset now
- Receive immediate charitable income tax deduction for entire amount gifted
- Advise fund to transfer church gift portion immediately (or progressively over 3 years)
- Advise fund to make gifts to other charities in the future
- Limited paperwork for transfer, low cost



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