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Tax Wise Giving A Seminar

This Outline provides merely a generalized summary of complicated tax issues. Prospective donors should not consider this summary as a substitute for careful, individual tax planning and are urged to contact their own legal and tax advisors.



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Our purpose:

- z Provide giving ideas-"food for thought"
- z Answer common questions
- z 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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Creative ways to give cash

- z Inheritance
- z Income Tax Refund
- z Matching gifts through employer



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Giving Ideas-Major Assets



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Assets other than cash:

- z Certificates of Deposit
- z Securities (stocks, bonds, mutual funds)
- z Life Insurance Policies
- z Real Estate



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Gifts of Certificates of Deposit

- $\frac{3}{4}$ Give (assign) certificate to the Church
 - \cdot Church receives interest until maturity
 - \cdot Church receives principal at maturity
 - \cdot Avoids penalty for early withdrawal
- $\frac{3}{4}$ You receive tax deduction for fair value of CD at date of gift



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$\frac{3}{4}$ Capital gain assets examples:

$\frac{z}{z}$ Stocks

- Publicly traded
- Closely held (C corp. best)

$\frac{z}{z}$ Mutual Funds

$\frac{z}{z}$ Bonds (not U.S. Savings Bonds)

$\frac{3}{4}$ Must be held more than one year to deduct Fair Market Value. Otherwise, can only deduct donor's cost basis



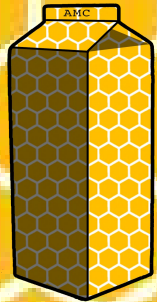
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Power Giving Principle

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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An Example

	<u>Sell 1st</u>	<u>Give 1st</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

z Donate appreciated property



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Is there a policy no longer needed for protection?

- z Give policy now to the Church
- z Income tax deduction will depend upon:
 - Type of policy
 - Cost basis in policy
- z 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



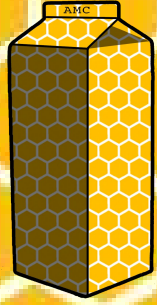
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Tangible Personal Property

Examples: jewelry, collectibles, antiques, collections (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

AVOID: Retirement Plan Assets (IRA, 401K)



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		<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>
TOTAL TAX SAVINGS		<u>\$ 2,500</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



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Made Permanent

Giving Opportunity from IRAs

Conditions to qualify:

- z Distribution made from your IRA directly to the church
- z IRA owner must be at least age 70.5
- z 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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Possible Personal Benefits

This strategy may have benefit if you:

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



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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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Donor Advised Fund

Especially helpful if you...

- z Have a highly appreciated substantial asset (real estate or closely held C corporation)
- z Want to gift entire asset, but not to just one charity
- z Want to make current gift to church capital campaign with part of asset
- z 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