

Year-End Gift Planning

As we approach year-end, we at GHCF want to remind you of two giving opportunities that can help you maximize the tax benefits of your charitable donations.

Donating Appreciated Stock to Charity

You may be able to increase your gift and your tax deduction by donating appreciated stock to charity. When you donate publicly traded stock to charity, you will generally be able to take a deduction for the full fair market value of the stock. You will not have to pay capital gains tax on the amount of appreciation in that value. You will achieve a much more favorable result by donating the stock rather than selling the stock and donating the cash.

To achieve these results, the stock generally must be publicly traded and must have been held for at least one year. Your gift of appreciated stock is fully deductible up to 30% of your adjusted gross income.

For Example

Original cost of stock: \$100,000

Current fair market value of stock: \$500,000

Evaluating the Alternatives	Donate Appreciated Stock	Sell Stock & Donate Proceeds
Long-term capital gains tax paid:	\$ 0	\$ 95,200
Amount donated to charity:	\$500,000	\$404,800
Ordinary income tax savings:	\$204,000	\$165,158

Note: assumes stock was held for more than one year, long term capital gains tax bracket of 20%, ordinary income tax bracket of 37%, and Net Investment Income Tax of 3.8%.

By donating appreciated stock instead of cash in this scenario, the charity receives over \$95,000 more AND the donor would save \$38,000 more in taxes!

IRA Charitable Rollover (also known as a Qualified Charitable Distribution)

Traditional IRAs require you to make Required Minimum Distributions (RMDs) **once you reach age 72**. Because you did not pay federal income taxes when you contributed the money to your IRA, your withdrawals will be subject to income tax. However, if you are over age 72, you can avoid tax on up to \$100,000 of distributions annually by making a donation **directly** from your IRA to a public charity. Such distributions also count towards your RMD amount.

Your donor advised fund does not qualify to receive a charitable rollover; the same is true of private foundations and supporting organizations. However, we have many other types of funds here at GHCF that will qualify to receive charitable rollovers (e.g., giving circle funds, scholarship funds, designated funds supporting certain nonprofit organizations, and field of interest funds). You can also make a donation to GHCF directly to support our community work such as our new [Understanding Houston](#) indicators project.

Please note that you can also take taxable distributions from your IRA without incurring penalty tax once you reach age 59 ½. While such distributions will be subject to income tax, if you donate that amount to a public charity you will receive a charitable deduction that may offset most of the tax on your distribution. **Such donations can be made to your donor advised fund**, unlike an IRA charitable rollover.

Note: there are adjusted gross income limits on the amount of the deduction you can take in any one year, but a five year carry forward is permitted on any unused amounts. With the repeal of the Pease Amendment, at least until 2025, high income earners will no longer experience a cutback in the amount of the charitable deduction they receive, thus allowing the deduction to offset a greater amount of any tax bill on an IRA withdrawal.

These explanations are general in nature and may not apply to all situations or people. The Greater Houston Community Foundation does not provide tax advice or services. Please consult your personal advisor with questions regarding your tax-planning.