

CHARITABLE PLANNING TOOLS YOUR CLIENTS CAN USE

MICKEY R. DAVIS AND
MELISSA J. WILLMS
DAVIS & WILLMS, PLLC
HOUSTON, TEXAS
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Charitable Income Tax Deduction Basics (pp. 2-7)

▶ Charitable income tax deduction depends upon:

- Type of donee organization
- What is donated (cash vs. various types of property)
- Donor's "contribution base"

▶ Charities broadly characterized as:

◦ "50% Charities":

Hospitals, medical research org's Churches

Schools, colleges, universities

State and local governments

University supporting org's

Publicly supported org's

◦ "30% Charities":

Private foundations (other than private operating foundations and "conduit private foundations")

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Cash Contribution Limits (pp. 3-4)

- ▶ "50% Charities"
 - Normal rule: Deduction limited to 50% of contribution base
 - TCJA 2017: Increased to 60% of contribution base for 2018-2025
 - CARES Act: Increased to 100% of contribution base for 2020 and \$300 "above the line" deduction for taxpayers that don't itemize
- ▶ "30% Charities"
 - Up to 30% of contribution base
 - No special enhanced deductions after 2017
- ▶ "Contribution Base" is donor's Adjusted Gross Income, computed without regard to net operating loss carry-backs
 - TCJA eliminated most post 2017 NOL carry-backs
 - CARES Act permits 5-year carry-back of 2018-2020 losses

Property Contribution Limits (p. 4)

- ▶ Capital gain property (property that if sold would yield long-term capital gain)
 - 50% Charities: Deduct full fair market value up to 30% of CB
 - 30% Charities:
 - Deduct lesser of FMV or basis up to 20% of CB
 - "Qualified Appreciated Stock" gets full FMV deduction up to 20% of CB
- ▶ Tangible personal property
 - Property related to donee's exempt purpose? Deduct FMV, otherwise basis
 - 30% and 20% contribution limits apply
- ▶ Ordinary income property (e.g., inventory, crops, etc.)
 - Donations limited to basis
 - Applies also to short-term capital gain property

Substantiation Requirements (pp. 4-5)

- ▶ Requirements vary with amount of gift
- ▶ **Less than \$250:** donor must keep written documentation (cancelled check or receipt from charity)
- ▶ **\$250 or more:** Charity must provide written receipt by tax return due date. Must state whether donor received any benefits and charity's estimate of FMV of benefit received
- ▶ **Non-cash gifts \$500-\$5,000:** Donor must keep written record of basis
- ▶ **Non-cash gifts > \$5,000:** Qualified appraisal required except for gifts of publicly traded securities
- ▶ **> \$500,000:** Donor must attach qualified appraisal to tax return

Benefits Received by Donor (pp. 5-6)

- ▶ Donor must reduce deduction by benefits received
- ▶ Failure to report benefit received results in denial of deduction
- ▶ Charity must provide good faith estimate of benefit
- ▶ Exception for "de minimus" benefits
 - No reduction if benefit is less than lesser of \$112 or 2% of gift
 - No reduction if donor gives at least \$56 and benefit bears charity's logo and costs less than \$11.20
 - Amounts are 2020 values (\$80, \$40, and \$8, adjusted for inflation)

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