

CHARITABLE PLANNING TOOLS YOUR CLIENTS CAN USE

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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"
 - Proper substantiation
- ▶ 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")

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; \$300 "above-the-line" deduction for non-itemizers
 - 2021 Tax Act: Extended 100% of contribution base for 2021; \$300 "non-itemized" deduction (\$600 for married filing jointly)
- ▶ "30% Charities"
 - Up to 30% of contribution base - No 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. 5-6)

- ▶ 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 and file IRS Form 8283 for non-cash contributions
- ▶ **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 (p. 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)
- ▶ No deduction if donor given credit for state and local taxes

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Title search: Creative Charitable Giving Tools Your Clients Can Use

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First appeared as part of the conference materials for the
69th Annual Taxation Conference session

"Creative Charitable Giving Tools Your Clients Can Use, Including Use of Donor Advised Funds"