# The Gift of Giving

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In this edition we will focus on two ways to make donations to charitable organizations you support, while creating a tax benefit for yourself. Every individual's tax situation is different, so we recommend that you consult with your tax professional before proceeding with any of these options.

## Charitable IRA Distribution

The Protecting Americans from Tax Hikes Act of 2015 made Qualified Charitable Distributions "permanent." Qualified charitable distributions (QCD) allow taxpayers to take the required minimum distributions (RMD) from their IRA and donate it to a charitable organization of their choice, without claiming it as income on their tax return. Essentially, allowing taxpayers to gift tax-free!

### Who qualifies?

Taxpayers who are over the age of 70 1/2 at the time of the transfer may transfer up to $100,000 per year.

### What type of accounts can I make a transfer from?

Transfers must come directly from your IRA account to the charity. Only IRA accounts are eligible for this tax provision.  However, you can roll money over from other retirement accounts, including 401(k)s and 403(b)s, to an IRA and then make a contribution directly to a charity.

### To what charities can I make gifts?

Eligible tax exempt charitable organizations including the Southern Oregon Humane Society.

### What are the tax implications?

A direct transfer to a charitable organization is not recognized as income on your Federal tax return. This lowers your adjusted gross income, potentially putting you in a lower tax bracket and reducing the amount of your taxable Social Security.  However, because the distribution is excluded from income you cannot take a charitable deduction for the donation.  The distribution is also tax-free for Oregon!

### Does this transfer qualify as my required minimum distribution?

Yes. Once you have reached age 70 1/2, you are required to take an annual minimum distribution from your IRA. Charitable IRA distributions will fulfill this requirement, but it is capped at $100,000.

### How do I know if a charitable distribution from my IRA is right for me?

If you meet the previously stated requirements and 1) you do not need the income making up the charitable distribution, or 2) your charitable gifts for the year already total 50% of your adjusted gross income. We suggest you consult with your tax advisor before making a decision.

### When do I need to make this donation?

The distribution from your IRA to the qualified charity needs to be made prior to December 31 of the year.

### How do I make the transfer?

You will need to contact your plan provider for details as each has a different protocol. In general however, the distribution needs to be made directly to the organization and be done before the end of the year.

## Contribution of Appreciated Stocks

The second way to make a charitable donation while creating a tax benefit for the taxpayer is to make a gift to the charitable organization of stocks that have appreciated in value. Recent market turbulence may have reduced your "unrealized gains," but it makes sense to periodically review your investment for opportunities for tax savings.

### What is appreciated stock?

Stock that is worth more today if you were to sell it than what you paid for it originally.

### What kind of stock is eligible?

Any stock you have owned for more than one year.

### What is the benefit?

1. You will be exempt from paying capital gains taxes on the increase in value, which you would have had to pay with the sale of the stocks.

2. You are entitled to a federal tax deduction based on the current fair market value of the securities, up to 30% of the donor's adjusted gross income, regardless of original cost.

### How do I know if the donation of appreciated stock is right for me?

Each person has a different tax situation, so the best answer will come from your tax advisor. However, in general this option works best for those who: are in the 15% or higher marginal tax bracket, and who itemize deductions on their tax returns.

*Nagel & Padilla publishes a complimentary monthly newsletter featuring helpful tax and financial planning tips. Our website also offers a wide variety of resource guides on topics such as how to maximize the charitable deduction.*

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