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Five Tax-Smart Charitable Giving Tips

Help clients maximize deductions, particularly during giving season.

Ellen Israelson | Dec 16, 2019

Last year, many tax breaks disappeared due to the tax reform law, resulting in a larger tax bill for many. The list of now-extinct deductions includes personal exemptions, unlimited state and local tax deductions, and deductions for moving expenses, alimony and unreimbursed employee expenses.

The good news, however, is that the charitable giving tax deduction survived the chopping block—and became even more generous. Here are five tips to help clients maximize their deduction and give smarter:

- **Donate appreciated long-term securities to maximize your tax savings**. Transfer stock electronically to an Internal Revenue Code 501(c)3 public charity and qualify for the maximum tax deduction allowed by law. If your clients donate to a public charity, they may claim a fair market value deduction up to 30% of adjusted gross income and won't be subject to capital gains tax on the appreciated portion of the contribution. And, if they transfer securities to a donor-advised fund (DAF), once the stock is liquidated, they'll be able to consolidate the proceeds in one account, invest these charitable funds and send grants out to multiple charities of their choice.
- **Group contributions for several years of giving in a DAF**. Clients can make a significant contribution to a DAF by "bunching" what they would have contributed to charities over the next two to three years, enabling them to reach the threshold to itemize their tax return and qualify for a maximum tax deduction. Many DAFs don't have an annual minimum distribution requirement, so the client can set the timetable for making grants.
- **Give almost any type of asset**. There are so many ways to give to charity.

basis complex assets, clients can avoid paying capital gains tax.

- **Plan for giving during life.** Structuring your clients' charitable giving in a DAF, private foundation (PF) or trust can make it easy to give during their lifetime, as well as plan a charitable legacy that reflects their wishes and values. These vehicles can help clients take advantage of the charitable deduction during their lifetime, and clients can bequeath assets (removing these from the estate) to reduce or eliminate estate tax.
- **Get rid of the administrative burden**. If your clients are involved with multiple charities, it's probably time to consider using a vehicle like a DAF or a PF to streamline their philanthropy. A DAF can help organize charitable giving, eliminate record-keeping and saving receipts and avoid filing a Form 990. Before even considering establishing a PF, discuss with clients the expense and time required to create and manage the administration and oversight. That's why more people are turning to DAFs.

$1 million. Working with a DAF sponsor, clients have discovered that when they use a DAF, they only need to give their accountant the one receipt they receive when they establish or replenish their fund. DAFs eliminate most of the record-keeping and administrative hassle associated with charitable giving. When clients make a contribution of cash or appreciated securities to open a DAF, they can take an immediate deduction. Many DAFs can be managed on a secure website that provides access to account information and grant-making at any time. While grant-making activity is encouraged, most DAFs don't have an annual minimum distribution requirement. Therefore, the fund can last for several years before it would need to be replenished. And, with the changes in the tax laws and the loss of some deductions, this flexibility becomes quite useful.

Ellen Smith-Israelson is the VP of Philanthropic Services at Jewish Communal Fund, the largest Jewish donor-advised fund in the country. For help deciding whether a donor-advised fund is right for you, visit ***JCFNY.org*** *or* ***contact the JCF donor relations team at 212-752-8277 to request more information or schedule a call****.*