ROCKEFELLER
CAPITAL MANAGEMENT

Philanthropy

Year-End Giving Strategies

As the year comes to a close with the holiday season, many will reflect on recent events, those in need in their communities and beyond, and perhaps also their impending tax bills. It may come as no surprise that December is the heaviest giving month, with roughly 20 percent of contributions made in this month.[1] While some more complex giving strategies may be off the table due to year-end time constraints, there are several opportunities still available to donors wishing to make charitable contributions before year-end.

Gifts of Stock vs. Cash

While year-end giving typically takes the form of cash or check, donors may want to consider making gifts of appreciated securities where the potential tax benefits of doing so outweigh the ease of cash contributions.

With the adjusted gross income ("AGI") limitations on charitable deductions returning to their pre-CARES Act amounts this year, a donor who contributes cash to charity is entitled to a charitable income tax deduction of up to 60 percent of AGI for contributions to a public charity and 30 percent of AGI for contributions to a private non-operating foundation.

A donor who contributes appreciated securities held for more than one year to charity is entitled to an income tax deduction of the fair market value of the contributed securities up to 30 percent of AGI for contributions to a public charity. For a donor contributing such securities to a private non-operating foundation, the deduction is limited to 20 percent of AGI valued at the fair market value of the securities for publicly traded securities and the cost basis for any other securities (such as closely held interests).

By contributing appreciated securities to charity, donors may benefit from transferring the embedded unrealized gain to the charitable organization (which will in turn pay minimal to no tax on later disposition of the securities). In the case of a gift of appreciated securities – whether publicly traded or closely held – to a public charity, the donor can take advantage of the double benefit of shifting the appreciation from his or her balance sheet and taking a deduction for the gift at fair market value.

[1] Overall Giving Trends - Blackbaud Institute.

ROCKEFELLER
CAPITAL MANAGEMENT

Philanthropy

Year-End Giving Strategies

Make Gifts to a Donor Advised Fund

A donor who is considering a charitable gift to a public charity to maximize tax savings in a high-income year should weigh the benefits of contributing to a donor advised fund ("DAF") rather than outright to a charity. A DAF is a giving account sponsored by a public charity. When a donor makes a gift to a DAF account, the donor is entitled to an income tax deduction in the year of contribution subject to the same AGI limitations as those for public charities. Assets contributed to a DAF are permitted to remain in the account and earn returns tax-free, and the donor may recommend grants from the DAF to various public charities over time. Choosing a DAF to receive year-end giving allows a donor to qualify for a charitable deduction immediately, while delaying the decision as to which charities to support to a future date.

Qualified Charitable Distributions from an IRA

In addition to the strategies discussed above, donors who have reached age 72 and have an IRA should consider the benefits of making a qualified charitable distribution ("QCD") from their IRA of up to $100,000 to a qualified charity. A donor who has reached age 72 is required to take an annual distribution from his or her IRA (a "Required Minimum Distribution" or "RMD") and will recognize that RMD as taxable income. By making a QCD from an IRA to fulfill an RMD, the donor will reduce his or her taxable income by the amount of the QCD to the extent it satisfies the RMD. The reduction of taxable income is in lieu of the donor receiving a charitable income tax deduction for the contribution.[2]

A QCD is an attractive giving strategy for donors who do not itemize their deductions, as it does not require itemization to be effective. It is also an attractive strategy for donors who have met or exceeded their charitable deduction AGI limitations for the year. It is important to note, however, that a DAF is not a qualified public charity for purposes of a QCD.

Remember to Consult a Professional

While each of these strategies presents potentially tax-advantaged means of supporting your favorite charities, it is important to consult your professional advisors before moving forward. Your legal, tax, and financial advisors will have valuable insight as to your personal and financial situation, which will inform which giving strategy best supports your goals.

[2] QCDs can be made anytime after the account owner or beneficiary reaches age 70 ½ but will not count against taxable income until RMDs begin at age 72.

RCMID-1428079438-2172

ROCKEFELLER
CAPITAL MANAGEMENT

Philanthropy

Year-End Giving Strategies