

Tax Wise Giving

Building Up and Sending Out

David Cobb *ChFC, CLU, RFC, LIC, LUTCF, CLTC*

Rich Dorsey, *CCNL*

This Outline provides merely a generalized summary of complicated tax issues. Prospective donors should not consider this summary as a substitute for careful, individual tax planning and are urged to contact their own legal and tax advisors.

We're sorry if you missed the Tax-Wise Giving Seminar!

Our seminar leaders taught us that there are many ways to create a gift for our new *Building Up Sending Out* campaign but not all of them are best for the donor! With this in mind, you might want to view the seminar online at

<http://www.churchgrowthservices.com/seminar1.cfm>

or request a DVD. It may give you some good ideas as you prayerfully consider giving to this wonderful project.

Looking for other creative ways to give to our capital campaign? You can get some ideas from watching a 12-minute "Finding Ways to Give" Discussion which is available on line at:

<http://youtu.be/gTsXikdG4u4>

As always, your Creative Gifts Team stands ready to help if you need any assistance.

Sincerely,

Rich Dorsey & David Cobb

Biblical Stewardship

- Using God-given resources to accomplish God's purposes
- Steward = Manager
- Biblical Stewardship is not just giving, it is total life management!

Biblical Stewardship

- The Treasure Principle
 - “Do not lay up for yourselves treasures upon earth, where moth and rust destroy, and where thieves break in and steal. But lay up for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves do not break in or steal; for where your treasure is, there will your heart be also.” Matthew 6:19-21

Biblical Stewardship

- Answers to some common questions:
 - How can I be the best steward (manager) of what I give?
 - Given my personal situation, what steps can I take to lower my taxes?
 - How can I maximize the amount that my church receives?

Giving Ideas-Cash

- Easiest asset to give-usually by writing a check
- No difficulty valuing the gift
- Church and individuals must follow IRS guidelines for gift substantiation
 - Receipt for over \$250

Giving Ideas-Cash

Creative ways to give cash

- Inheritance
- Bonus
- Dividends
- Income Tax Refund
- Matching gifts through employer

Giving Ideas-Major Assets

- Assets other than cash:
 - Certificates of Deposit
 - Securities (stocks, bonds, mutual funds)
 - Life Insurance Policies
 - Real Estate

Gifts of Certificates of Deposit

- Give (assign) certificate to the Church
 - Church receives interest until maturity
 - Church receives principal at maturity
 - Avoids penalty for early withdrawal
- You receive tax deduction for fair value of CD at date of Trinity receiving the reassignment of the gift
 - Principal plus accrued unpaid interest

Gifts of Securities

- Capital gain assets examples:
 - Stocks
 - Publicly traded
 - Closely held (C corp. best)
 - Mutual Funds
 - Bonds (not U.S. Savings Bonds)
- Must be held more than one year to deduct Fair Market Value. Otherwise, can only deduct donor's cost basis

Power Giving Principle

- It is better to GIVE an appreciated asset rather than to SELL it.
- If you SELL first, you must pay tax on your gain before you can make the gift.
- This results in more money to the IRS, less of a tax deduction for you, and less money to your church.

Power Giving Principle: An Example

	<u>Sell 1st</u>	<u>Give 1st</u>
Value of Securities	\$20,000	\$20,000
Cost Basis	\$10,000	\$10,000
Tax on Gain at Sale(15%)	\$1,500	0
Amount to Church	<u>\$18,500</u>	<u>\$20,000</u>
Net Tax Benefit (@25% tax rate)	\$3,125	\$5,000

***IRS Gets \$1,875 more if you sell first!**

Gifts of Real Estate

- Examples: vacant land, improved real estate, farm land
- Same principles apply as in the case of securities
 - Donate appreciated property
 - Sell property which has declined in value from adjusted cost basis and donate proceeds

NOTE:

- No mortgage
- Due diligence exercised by Trinity
- Marketable

Gifts of Insurance Policies

- Is there a policy no longer needed for protection?
 - Give policy now to the Church
 - Income tax deduction will depend upon:
 - Type of policy
 - Cost basis in policy
 - Substantiation-IRS form 8283 and an appraisal may be required depending on value of gift
 - IRS form 712 obtained from Insurance Company may be helpful

Giving Ideas-Other

- **Tangible Personal Property**
- Examples: jewelry, collectibles, antiques, collections (coins, stamps), vehicles, etc.
- Normally, donor's deduction limited to the lower of cost or value
- Church provides receipt of gift with description-donor responsible to value gift

Giving Ideas-Other

- IRA Rollovers
- Gift to charitable trust with life insurance for children-Win, Win situation

- AVOID: Other Retirement Plans

Challenge

How to Increase Income Without Tax?

Own Growth Asset

Need More Income

Don't Want to Pay
1/5 in Tax

Desire to Benefit Children



Solution

Consider a Charitable Trust

- Bypass Gain
- Increased Income
- Charitable Deduction



IRA Charitable Rollover (Qualified Charitable Distribution)

- Law made permanent by Congress on 12/18/15
- Giving Opportunity from IRAs
- Conditions to qualify:
 - Distribution made from your IRA directly to the church
 - IRA owner must be at least age 70.5
 - Limit of \$100,000 per year per donor

IRA Charitable Rollover

- Benefits:
 - Transfer to church counts toward IRA owner's required minimum distribution (RMD)
 - Transfer generates neither taxable income nor a charitable deduction

Possible Benefits

- This strategy may have benefit if you:
 - Do not itemize your deductions
 - Pay a state income tax, but can't deduct charitable gifts on your state tax return
 - Encounter deduction limitations due to exceeding certain income thresholds

Note: See your Custodian and Tax Preparer

Giving Ideas-Other

Consider selling stock that has declined in value & donating proceeds:

Note: “Loss on Sale” only deductible against ordinary income for up to \$3,000 per year with unlimited carry forward available

*** Your tax rate may be more or less depending upon your level of taxable income.**

Next Steps

- Identify planning options which may apply to you
- Ask questions about these options
 - David or Rich (expertise will be referred to the other one of us, as appropriate)
 - Your personal tax advisor
 - One of us can accompany you if needed
- Discuss your ideas with spouse/family
- Pray for God's guidance in your decision

You are invited...

- To make an investment...
- In the lives of the men and women...
- Youth and children...
- Who will be reached through the ministry of your church...
- By “redeploying” your assets for eternal purposes!