

Charitable Contributions:

A Very Effective Year-End Move

Year-end donations to your favorite charity can be an excellent source of tax deductions as well as a great tax planning tool. Gifts made as late as December 31 count equally with those given earlier in the year. Even a check written by December 31, but not cashed until next year gives you a deduction when you file your tax return in April. So also does a contribution made on your bank credit card, even if you don't pay your credit card bill by the end of the year.

How much you should give depends upon your personal circumstances and preferences. Your particular tax situation should also be a factor as the higher your income, the greater, the benefit from a donation. For example, if your income will drop you into a lower bracket next year, consider giving more in the current year and vice versa.

Contributions are deductible on Schedule A of your tax return. If you find that you do not have enough deductions to itemize, you may want to consider alternating years in which you accelerate or delay donations (as well as medical expenses and property taxes). This could give you the ability to itemize every other year.

Cash Gifts

Cash makes the most convenient gift and is easily recorded through canceled checks. Cash gifts have very few limits. They are limited only to 50% of your adjusted gross income. You can carry over excess deductions into the next five years.

Appreciated Securities

Stocks, mutual funds, most bonds and other publicly traded securities qualify for added benefits if they have been held for more than one year. The deduction is equal to the fair market value of the security, which can be greater than its cost, but is limited to 30% of your Adjusted Gross Income. You save by not having to report capital gains on the increase in value of the appreciated security in addition to receiving a contribution deduction.

Tax Wise Action: Hold on to appreciated securities until you have owned it for more than one year before making the donation.

Caution: Do not give securities that have declined in value. Sell the securities, claim a capital loss, and donate the proceeds.

Other Appreciated Property

Antiques, paintings and other appreciated property, are often donated to charities. Such donations qualify for a 30% limitation. If the property is used by the charity for its exempt purpose, your deduction is equal to fair market value. If the property is immediately sold or is not used for its exempt purpose, your deduction is limited to cost.

Tax Wise Action: Before donating appreciated property, other than stock or other securities, ask the charity representative to put in writing that the organization will use the asset for its tax-exempt purpose (ie. A painting given to a school to be placed in the library where the students can observe and study it).

Businesses and Giving

Businesses can donate inventory and often receive a deduction greater than the cost of the inventory. Ask us what is required to qualify for the higher donation value as it only applies to specific situations.

Many businesses offer a program where in which they will match gifts their employees make. Ask your company if they will match your gifts.

Please call Clement & Associates at (818) 249-1065 to ask us questions you may have regarding any charitable contributions.

*The general information provided above is provided as a service from Clement & Associates and should not be acted upon without reviewing your specific facts and circumstances with a tax accountant.