



VIEW*S* & VISIONS

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Winning with Charitable Giving

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He earned his bachelor's degree in business administration/accounting from Concord University in Athens, West Virginia. Upon graduation, he worked as an Internal Revenue Agent for the United States Treasury Department. His public career included serving as a partner in several major international and local accounting firms.

Grigoraci is a lifetime member and past council member of the American Institute of Certified Public Accountants; a lifetime member and past president of the West Virginia Society of Certified Public Accountants; past president of the West Virginia Tax Institute; co-founder and past chair of the Charleston Area Tax Group; and past board member with the West Virginia Parkways Authority.

An active member and past president of the Rotary Club of Charleston, Grigoraci has received numerous awards for his professional and community activities, including an honorary Doctorate of Humanities degree from Concord University.

Grigoraci is the originator and chapter author of "Guidebook to West Virginia Taxes," a free e-book available online. He is currently serving his fourth elected term as Charleston City Treasurer.

Contrary to the hype regarding the Tax Cuts and Jobs Act of 2017, charitable giving is still alive and well in this country. Many of us possess the desire to make well-meaning contributions/gifts to qualified charities with the promise of achieving the greatest charitable and income tax benefits. To win with charitable giving, please consider the following suggestions.

Individual federal taxable income is gross income, less adjustments, equals adjusted gross income (AGI), less itemized deductions or standard deduction. Personal exemptions (\$4,050 per person) have been suspended until 2026, as well as suspension of the phase-out of itemized deductions, a taxpayer benefit.

Current federal income tax law increased the standard deduction to \$12,000 per taxpayer, \$24,000 for joint filers; the itemized deduction for state and local taxes is now limited to \$10,000 per single or couple filers through 2025; and miscellaneous itemized deductions subject to the two percent AGI limitation, such as investment expenses, employee business expenses, tax advice and preparation fees, etc. are suspended to 2026.

It is thus my suggestion that you may want to plan your charitable gifts to alternate in some fashion between large itemized charitable gift deductions when warranted and to claim the standard deduction at other times. For example:

Gina and Mark usually make charitable gifts of \$10,000 per year and have other itemized deductions, all totaling \$20,000. In this case, the standard deduction would be greater at \$24,000 on a joint return. However, if they give \$10,000 for the current year and prepaid \$10,000 for 2019, they would have a \$30,000 itemized deduction for the current year, skip the charitable gifts for the next year and claim

the \$24,000 standard deduction in 2019. This simple planning idea would put them ahead with a \$6,000 deduction for both years combined.

Direct transfer to charities via an IRA is an option for individuals age 70½ and older. They may give as much as \$100,000 annually from their traditional IRAs directly to charities. If married, the spouse/partner can also give \$100,000 from separate IRAs. The beauty here is that the transfers count as required minimum distributions and are not taxable income, nor is there an income tax deduction. Plus, there is no addition to adjusted gross income for other tax purposes. Simply stated, the transfer satisfies your charitable goals and required minimum distribution; and your personal income tax return is not affected, including the availability of the standard deduction. This also saves West Virginia personal income taxes by not being included in adjusted gross income. Assuming you have the resources and are inclined to be this generous, you may use the IRA direct transfer of \$100,000/\$200,000 for all your annual charitable giving and still take advantage of the standard deduction. I call this plan a winner.

Another point regarding West Virginia is to ask your charity if the West Virginia Neighborhood Investment Program (NIP) credit is available. West Virginia does not allow charitable deductions, but the credit is available to all who file personal income tax returns with the state. Assuming your charitable gift is \$1,000 and you are in the highest federal income tax bracket (say, 35 percent) and the NIP credit is up to 50 percent of your gift, you are only out of pocket \$150. How sweet that is – a real winner for your charity and you, especially when giving appreciated publicly traded stock held over one year.



Donations

Cash/checks are always great charitable gifts. They are easy to give and easy to value, and now the annual limit has increased from 50 to 60 percent of AGI. As examples, many other planning ways are available, including using appreciated long-term capital gain assets, such as publicly traded stocks (fair market value deduction with no taxable income); giving a residence or farm while continuing to live in it (immediate deduction of the fair market residual value); art (not created by you), antiques, books, gems, etc. at fair market value, held over one year; certain gifts of undivided interests in real and tangible property; bargain sales using fair market value of the gift portion; life income gifts and trusts and annuities; life insurance, etc., all of which generally require appraisals and long-term holding, generally allowed up to 30 percent of AGI. Charitable mileage at 14 cents per mile and authorized unreimbursed expenses can also be deductible. However, a charity deduction for college athletic seating rights is suspended until 2026.

The next point is record keeping for gifts to charity. Cash gifts require a receipt from the charity to get your deduction.

Checks, credit card charges, etc. for less than \$250 are your receipts. For \$250 or more, a receipt is required from the charity. Except for marketable securities, \$5,000 deductions for non-cash items require an appraisal. Non-cash donations of clothing, household items, books, cars, boats, airplanes, etc. require reporting on IRS Form 8283.

Let me also mention that individuals in business who make charitable gifts may fare better by sponsoring an event with promotional value, which results in a direct business expense, thus avoiding charitable planning techniques and perhaps saving self-employment taxes. (But, consideration needs to be given to the complicated 20 percent deduction against “qualified business income” for individuals in specified service trades or businesses, under Internal Revenue Code Section 199A.)

With the significant increase from over \$5 million to over \$11 million per person for the federal estate tax exemption, charitable will bequests may be less significant. If current charitable gifts are affordable, federal income tax benefits

follow. While there would be no federal income tax benefit nor, possibly, estate tax benefit, bequests included in your will are still a splendid way to benefit your charitable goals. In particular, a bequest of traditional IRAs to charities have better income tax results than other assets. The inherent untaxed income paid from such IRAs would be exempt to the charities, but taxable to individual beneficiaries. That’s another winner. So, in light of the increased estate tax exemption, which expires in 2026, this would be a good time to review your financial situation as it pertains to private foundations, donor-advised funds qualified conservation easements and your will or trust.

This article is not intended to give financial and/or tax advice. This is only a general survey to encourage exploration of how to win with charitable gifts and get the greatest charitable and income tax benefits. Consult your advisors for professional advice before taking any action. ▽