



# Consider the Tax Implications of Year-End Giving

By Vernon E. "Butch" Shoup, CPA

**C**haritable giving is typically highest in the fourth quarter, when donors respond to year-end appeals and activate their own annual giving plans. While supporting a worthy cause and ensuring a vibrant, healthy community are the primary reasons to give, it's important to understand the tax implications of donations.

Regardless of how or where a gift is directed, there are several fundamental tax considerations to keep in mind, including eligibility for deductions, timing, valuation, and reporting to the IRS.

Make certain that donations are tax deductible and contributions will be

used as intended — before giving. Contributing to a tax-exempt organization does not automatically mean a donation is tax deductible. The Internal Revenue Service, Give.org, GuideStar.org, and CharityNavigator.org provide information about specific organizations and tax deductions. At least 75 percent of gifts should generally go directly to services rather than administration and fundraising expenses. Be especially wary of urgent appeals in response to natural disasters and other crises: only donate directly to a specific organization through its authenticated venues.

All gifts, whether given by check, cash, credit card, or online, must be transacted by December 31, 2012 in order to be

deducted for 2012. Deductible pledges must be paid by year end. It's important to keep all records of tax deductions, including copies of checks, credit card statements, paper and online receipts, thank-you letters, and copies of pledge cards, pay stubs and W-2 wage statements for work-related giving. A receipt is mandatory for a deduction of any single contribution exceeding \$250. Subtract the cost of special events, meals, and any other items associated with gifts, as identified on the receipt.

Donations of household items, furniture, and clothes should be valued according to IRS guidelines, reflecting their condition (generally, rummage value), and receipts for these donations should be itemized and retained. Some organizations provide lists of suggested values for typical items. Independent, qualified appraisals are a must if the value of property exceeds \$5,000; publicly traded securities get a pass. Special rules for valuation and IRS reporting apply to motor vehicles, boats, and planes.

An individual's charitable deductions are limited to a percentage of income: never more than 50 percent annually, and only 20–30 percent in some cases. Donors should check with their tax preparers regarding individual limits. Gifts of real estate, stock, and life insurance require the involvement of a financial advisor and often an attorney.

Financial advisors can also assist donors in setting up charitable gift trust accounts that allow for planning and gift allocations over time. Charitable gift trusts are an option for people who may have received an inheritance or other windfall, want to dedicate a certain amount of money to charity, and may not be wealthy. Charitable gift annuities are instruments that allow for a stream of income back to the donor or other recipients and also produce tax deductions.

Besides providing tax benefits and helping to maintain and manage charitable giving plans, charitable gift trusts and annuities can be used for donor-advised giving coordinated through community foundations, including The Denver Foundation. Community foundations are staffed by knowledgeable professionals who keep a finger on the pulse of local



charities and can provide expert assistance in structuring charitable gifts.

### Planned Giving Strategies

Planned giving has become a standard component for many families, and can provide substantial current income tax benefits. In addition, charitable transfers reduce donors' exposure to estate taxes.

For estates of individuals who pass away in 2012, the federal estate tax exclusion is \$5.12 million. The estate tax rate on the decedent's net worth above that amount is a flat 35 percent. Individuals with a net worth above this amount, or couples in excess of roughly \$10 million, can gain a double benefit from charitable strategies that reduce current income tax and diminish the taxable estate. In some cases, strategies can be structured to increase retirement cash flow.

A qualified tax advisor or foundation professional can assist in designing gift strategies that maximize individual charitable objectives and tax benefits.

### About CliftonLarsonAllen

CliftonLarsonAllen is one of the nation's top 10 certified public accounting and consulting firms. Structured to provide clients with highly specialized industry insight, the firm delivers assurance, tax, and advisory capabilities. CliftonLarsonAllen offers unprecedented emphasis on serving privately held businesses and their owners, as well as nonprofits and governmental entities. The firm has a staff of more than 3,600 professionals, operating from more than 90 offices across the country. For more information about CliftonLarsonAllen, visit [www.cliftonlarsonallen.com](http://www.cliftonlarsonallen.com).

*Vernon E. "Butch" Shoup, CPA is a tax partner with CliftonLarsonAllen LLP in Greenwood Village. He specializes in estate planning, wealth transfer, and succession*



*planning. He is a member of the Colorado Society of CPAs and American Institute of CPAs. He can be reached at [butch.shoup@cliftonlarsonallen.com](mailto:butch.shoup@cliftonlarsonallen.com) or (303) 265-7962.*

# Family Philanthropy: Tips for Effective Giving

## Framing the subject

- Remember that philanthropy is about giving, but is not defined by a specific dollar amount. If you're involved at a level that is meaningful to you, you're a philanthropist!
- Think of your giving as another form of expression and investment. What areas in the community are important to you, and how are you investing your charitable dollars in those areas?
- Expand your giving beyond the financial gift. Try to volunteer your time, in addition to giving your support, with the organizations that are the most important to you.
- Use your network to inform and enhance your charitable giving. Your network includes your peers, your advisors, fellow board members or volunteers, the philanthropic staff at the community foundation, and of course, your family and friends.

*continued on page 19*

