Non-Cash Gifting Options
To the "Protecting Our Future
Saint Rita Roof Campaign"

Here are several non-cash giving options available to parishioners interested in contributing to the "Protecting Our Future – Saint Rita Roof Campaign":

Option #1: Contributing Appreciated Stock

A person is allowed to take a deduction on their tax return for the fair market value of publically traded stock contributed to a qualified charity. The taxpayer is allowed to take this deduction if the stock was bought more than 1 year from the date of contribution and the taxpayer itemizes her deductions (files Schedule A). This deduction is limited to 30% of the taxpayer's adjusted gross income (AGI). However, the taxpayer is allowed to carry forward any unused amounts for a five year period. Once the 5 year period expires, any unused amounts are lost.

If the appreciated stock is not held for more than 1 year, the taxpayer is only entitled to deduct the amount that was paid for the stock (the taxpayer's cost basis) and not the current value. There is still a benefit from giving stock that was bought less than a year before the date of contribution. Any gain/increase in value of the stock is not taxed. This is further discussed below.

Another tax benefit of giving appreciated stock is the taxpayer does not pay taxes on the increase in the stock's value from the time the stock was purchased to the date the stock is donated. The appreciation of the stock is not taxed. The taxpayer does not report this as a sale on their tax return whether the stock was bought less than 1 year or more than 1 year from the date the contribution. It doesn't matter. However, there is more of tax benefit to give stock that was held longer than 1 year.

The taxpayer should contact their investment advisor regarding the details of transferring the stock to the charity. Most brokerage firms require a letter of authorization and/or a letter of instruction before the stock is moved to the charity. There also may be special forms that are required to be signed. It depends upon the custodian (Brokerage house, bank, mutual fund company, etc.) holding the stock. This could be a timely process. It may take several weeks to complete the transfer. It is prudent to start the process sooner rather than later especially if the gift is intended to be made by the end of the year. It is common for taxpayers to make charitable donations late in December in order to maximize tax savings. My recommendation is to start the process at least 2-3 weeks before December 31st.

Option #2 – Contributing a Portion or All of your Required Minimum Distribution from an Individual Retirement Account (IRA) Directly to a Qualified Charity

Certain Taxpayers are allowed to contribute their annual required minimum distribution (RMD) or a portion of their RMD from their IRA directly to a qualified charity. No more than $100,000 per taxpayer is allowed to be donated in a given year. One benefit of using this charitable giving technique is that the taxpayer's annual RMD requirement is satisfied to the extent of the amount going to charity. The amount of the RMD going to charity is not taxable. These distributions would otherwise be considered "taxable" if and when received by the taxpayer. This is a smart and legal way to avoid paying taxes on your RMDs.

Also, a taxpayer does not have to itemize their deductions in order to utilize this tax savings technique. The amounts given to the charity from the IRA is not included in the taxpayer's gross income that is shown on page 1 of the person's income tax return. The RMD donated to the charity is not subject to the 50%/30% AGI limitations that are applied to other gifts made to charities and shown as an itemized deduction on the taxpayer's personal income tax return. Wealthy individuals may further benefit from using this technique since some or all of their itemized deductions may be further reduced by 3% because of their high income levels.

Another benefit of not including the amounts donated from the IRA in the donor's AGI is as follows: it lowers the odds that the donor will be affected by various other unfavorable AGI based deduction limitation rules. The lower a person's AGI is, the lower the probability of applying the AGI limitation rules which reduces one's deductions.

Not all taxpayers can utilize this technique. The taxpayer must be at least 70 1/2 years old in order to use this method. This technique is not practical if the taxpayer needs the RMD for living expenses. If the taxpayer does not have other sources of income, this method of giving does not make sense.

This charitable giving technique was temporary in prior years. It would expire on December 31st each year. Taxpayers would wait each year for Congress to extend this opportunity for the current tax year. Generally Congress would wait until December to extend this provision that expired the prior year. This provision would be made retroactive to January 1st. There is good news. The ability to make a tax free IRA contribution to charity was made permanent this past December 2015 by Congress.

If anyone has any questions please contact Joan Sullivan at the Parish Office (585) 671-1100 or Alan Pecora at (585) 217-2228.