

Tax Tips for Charitable Giving

Qualified Charitable Distributions (QCDs)

A QCD is a direct transfer of funds from a donor's IRA custodian, payable to a qualified charity. Donors who are 72 and older may contribute up to \$100,000 annually (or, the amount of their ordinary income, whichever is less) of IRA assets directly to charity and have the donation count toward their required annual payout (Required Minimum Distribution - RMD). Further, the withdrawal does not count as taxable income to the donor.

Donors can take the standard deduction and still receive a tax break for this type of charitable giving since QCDs don't require that you itemize deductions on Schedule A of your tax return to take advantage of this deduction.

The charity receiving the contribution must be a 501(c)3 organization (which Kettering Parks Foundation is).

The donor's IRA custodian will provide the donor with the form necessary to complete the transaction.

There are no donor age limitations for the following types of contributions:

Donations of Appreciated Stock

Donations of stock that has appreciated in value result in a double benefit. Not only is the fair market value of the publicly traded stock (held by the donor for more than one year) deducted on Schedule A of the donor's tax return, the donor avoids paying capital gains tax on the appreciated value of the stock. This type of contribution is available for any taxpayer who itemizes deductions on Schedule A of Form 1040.

The amount deducted can be up to 30% of the donor's adjusted gross income for the year.

New Deduction for Tax Filers Taking the Standard Deduction

For tax year 2021, individuals who do not itemize deductions on Schedule A of their tax return can still deduct some cash contributions to charities. Single filers who don't itemize can deduct up to \$300, and married-filing-joint filers can deduct up to \$600.

Payroll Deductions

An employer may participate in a charitable giving program that allows its employees to make contributions directly out of their paycheck. This is an easy way for donors to contribute to a favorite charity.

Other

Normally, taxpayers can make deductible cash contributions to qualified charities of up to 60% of their adjusted gross income. However, under the CARES Act, 2020 taxpayers who itemize could deduct on Schedule A qualified cash contributions of up to 100% of their adjusted gross income for these contributions. Lawmakers want to extend this provision to 2021 under the COVID relief bill.