St. John Vianney Catholic Church

Year End Giving Considerations for 2018

The Tax Cuts and Jobs Act will shrink the number of households claiming an itemized deduction for their gifts to non-profits from about 37 million to about 16 million in 2018, according to new Tax Policy Center estimates. Due to the changes made in the law that passed in December 2017, many taxpayers may want to consider modifying their charitable giving strategies. In order to itemize, taxpayers need combined itemized expenses for the tax year to be greater than their standard deduction amount ($12,000 for an individual or $24,000 for a married couple for 2018) .

The options that you have are:

1. Annual Cash Gifts
2. “Bunching” Gifts for greater tax benefit
3. Donor Advised Funds (DAF)
4. Qualified Charitable Distribution (QCD) from your IRA to your charity
5. Gifts of Appreciated Property
6. Gifts of Appreciated Securities

Annual Cash Gifts - For taxpayers wishing to maximize their charitable deduction, having cash on hand to take advantage of the 60% deduction limitation is generally the most efficient method of making the donation. For those who plan to bunch their charitable donations in the future, it can mean a great opportunity — both financially and for charitable impact.

Bunching - There are a lot of well-intended articles out there suggesting “bunching” charitable contributions in order to make financial sense by maximizing the tax advantages of making charitable contributions. The different methods of bunching suggested include (i) making larger gifts in some years and no gifts in other years; (ii) using donor-advised funds to hold charitable funds for later, staggered distributions to charities; and (iii) saving to make a single charitable contribution every few years. While some observers may see these maneuvers as gerrymandering the system, others will see this as prudent planning to maximize an individual’s financial position and to allow that individual to donate more money to achieve charitable goals.

Donor advised funds (DAF) were also left untouched. So, if the donor’s favorite charity doesn’t know how to accept stocks or bonds, the donor can simply gift them to a donor advised fund and then have a check sent to the charity. With a donor-advised fund, you can make a large initial contribution this year and qualify for a healthy deduction. Then the DAF doles out money to your favorite charities over a period of time. This has the same practical effect as bunching.

Qualified Charitable Distributions (QCD) from an IRA - A taxpayer age 70½ or over can roll over up to $100,000 annually directly from an IRA to a charity with no tax consequences. While you don’t qualify for a deduction, the distribution isn’t taxable either and the rollover can satisfy IRS distribution requirements.

1. Age 70 ½ - IRA owners who are age 70½ and over are eligible to do a QCD. Sounds easy, right? This is more complicated than it might sound. A QCD is only allowed if the distribution is made on or after the date that you actually attain age 70 ½. It is not enough that you will attain that age later in the year.

2. Eligible Funds - You may take a QCDs from your traditional IRAs or Roth IRAs. You may not take a QCD from your employer plan.

3. $100,000 Annual Limit - QCDs are capped at $100,000 per person, per year. If you are married, you and your spouse can each contribute up to $100,000 from your own IRAs. If you withdraw more than $100,000 from your IRA to contribute to a charity, you may not carry over the excess to a future year. You can do a QCD with the first $100,000 of the distribution and the remaining amount will be treated as a taxable distribution. You can take a charitable deduction for the amount over $100,000 if you itemize deductions and otherwise qualify for the deduction.

4. Satisfy your RMD - Here is good news if you are charitably inclined and must take a required minimum distribution (RMD). You can use a QCD to satisfy your RMD for the year. A QCD can exceed your RMD amount for the year as long as it does not exceed the $100,000 annual limit.

5. Direct Transfer is Required - If you want to do a QCD, you must make a direct IRA transfer from the IRA to the charity. You should instruct the IRA custodian to make the distribution check payable to the charity of your choice. If a check that is payable to a charity is sent to you for delivery to the charity, it will be treated as a direct payment. Be careful! If you receive a check payable to you from your IRA and then later give those funds to charity, that is not considered a QCD.

Gifts of Appreciated Property - This technique has long been a staple of wealthy individuals. By giving capital gain property that has appreciated in value, like art or other collectibles, you can generally deduct the property's current fair market value, instead of its initial cost. Thus, you increase your deduction while avoiding tax on the appreciation in value.

Gifts of Appreciated Securities - Provided you've held them for more than a year, appreciated assets including long-term appreciated stocks and property are generally deductible at fair market value, up to 30% of your adjusted gross income. Combining more than one type of asset can be a tax-efficient move to maximize the amount that you can take as a charitable tax deduction. Donating appreciated assets is particularly attractive because the donor can avoid the capital gain tax on appreciation while still claiming the charitable deduction. Such contributions are generally subject to the 30% AGI charitable deduction limit.

As an option or reference you may contact either sources below:

Donor-advised funds:
National Christian Foundation
70 East 91st Street
Indianapolis, IN 46240
Julie Laughlin, Director of Catholic Charities and Agency Reporting, 317-261-3371
David Bethuram, Executive Director, 317-236-1530

Or

Diocese of Lafayette in-Indiana:
Mike McNulty, Director of Stewardship and Development, 765-742-7000

For questions about tithing at St. John Vianney, please contact
Larry Kunkel, Business Manager, at 317-485-0150