



Lakeland Community College 7700 Clocktower Dr. Kirtland, OH 44094-5198

Phone: 440.525.7097 Fax: 440.525.7601

Foundation Email: lccfoundation@lakelandcc.edu Bob Cahen Email: BCahen@Lakelandcc.edu

TO: The Lakeland Foundation Board & Friends
FROM: Bob Cahen
DATE: November 4, 2011
SUBJ: The Lakeland Foundation Friday Update

With only two months left in the calendar year, many of you may be thinking about making end of the year charitable gifts. The following article from the November 1, 2011 edition of *The New York Times* discusses how you can make a gift in a variety of different ways, give more than you may have thought you could, and reap some additional tax benefits at the same time.

If you would like to learn more about how you can make an end of the year gift to benefit Lakeland's students, please give me a call at 440.525.7097 or e-mail me at bcahen@lakelandcc.edu

Thanks for all you do for Lakeland.

The New York Times

Giving

Tax Rules Allow an Array of Givers to Be More Generous

By JAN M. ROSEN

Published: November 1, 2011

IF you, like most charitably inclined people, wish you could afford to give more, the good news is that you probably can, simply by taking advantage of the tax code's provisions that effectively make Uncle Sam your partner in giving.

Here are suggestions from wealth advisers and tax professionals for tax-efficient philanthropy.

GIVE APPRECIATED ASSETS Many donors sit down with their checkbooks toward the end of the year to aid worthy charities, then deduct their charitable gifts at tax time. The amount of tax savings depends on the donor's marginal bracket. For taxpayers in the top bracket, 35 percent, a \$10,000 gift would reduce taxes by \$3,500, while those in the 25 percent bracket would save \$2,500 in taxes.

One way to increase the tax savings — and consequently what you can afford to give — is to give appreciated assets to a qualifying charity instead of cash. Say your portfolio includes stocks with sizable long-term gains. You give shares that cost \$3,000 years ago and are worth \$10,000 on the day of the gift.

The direct tax savings are the same as with the cash gift, but you also escape capital gains tax, a saving of \$1,050 (the 15 percent capital gains tax that would have been owed by a taxpayer in the 25, 28, 33 or 35 percent bracket on the \$7,000 gain had you sold the shares).

The same idea can work with other appreciated assets like collectibles or real estate. Jeremiah W. Doyle IV, a senior vice president of the Bank of New York Mellon who teaches a course in charitable giving in the graduate tax program of the Boston University School of Law, cited the example of a couple who had an art collection worth \$8 million to \$10 million and were considering giving some of their paintings to a museum. Another man has a rare book collection and is considering charitable gifts.

In both cases the tax savings could be considerable, Mr. Doyle said, but the rules were more complicated than for publicly traded securities. For gifts valued at more than \$5,000, an appraisal must be made by a qualified appraiser within 60 days of the gift and Form 8283 must be signed by the appraiser and the charity, he said, and attached to the donor's tax return.

For tangible personal property like a painting, a donor needs to get a signed gift agreement that the gift will be used in the organization's tax-exempt purpose. If a painting hangs in the museum, that is fine, he said, but if it hangs in the president's office, the donors' deduction is limited to their cost.

If the museum sells the painting within three years, it must report the sale to the Internal Revenue Service, and the donor's deduction would then be limited to the original cost, so additional taxes would be due. However, if the tax-exempt organization signs a statement that the sale resulted from a financial crisis, the tax recapture may be avoided.

"This is complicated with a lot of little rules," Mr. Doyle said, adding that the relevant section of the Internal Revenue Code had 135 pages of regulations, so anyone contemplating a large gift of appreciated property should get legal advice.

Still, the benefits can be substantial. If the value of an appreciated asset exceeds 30 percent of a taxpayer's adjusted gross income, the excess can be carried forward for five years. If the deduction is based on cost, the A.G.I. limit is 50 percent. Very large gifts may also reduce a donor's taxable estate, Mr. Doyle said.

SET UP A DONOR ADVISED FUND Chris Zander, a partner and head of wealth planning at Evercore Wealth Management, said people, notably those preparing to retire, sometimes came into large lump sums and wanted to help a charity but had not focused on their philanthropic goals. Setting up a donor advised fund through a community foundation or a financial institution like Fidelity, Vanguard or Schwab allows the donor to put money in one year and get the tax deduction, but spread the gifts out over several years.

"A private foundation is much more complicated," he said. "A donor advised fund is much simpler." It is even simpler than writing many checks for smaller gifts, he added.

REMEMBER THE BASICS Bruno L. Graziano, a tax lawyer and senior analyst for CCH, a tax information service for professionals, advised taxpayers to "remember the basics":

¶ Be sure any organization to which you are giving is qualified, so that your contribution will be deductible. This information is available in I.R.S. Publication 78 at irs.gov.

¶ Maintain written records of charitable contributions, including written acknowledgments from the recipients for any gifts of \$250 or more. Few taxpayers are audited, but if you are, you will need to show this evidence.

¶ Charitable gift annuities can benefit a qualifying charity and the donors, who receive upfront tax deductions and lifetime income from the charity for the named annuitants, often the donors themselves. In the most recent revision of the income rates recommended by the American Council on Gift Annuities, acga-web.org, the rates are generally slightly lower than before for those age 69 and younger but slightly higher for ages 75 and older, he said.

¶ “Holders of employer stock that includes net unrealized appreciation can benefit from direct gifts to charity,” he said, “because only the basis of the stock must be picked up as income, but a charitable deduction is available for the full fair market value of the stock, subject to the general rule limiting charitable deductions.”

One concern that many affluent clients have is the uncertain future of tax rates.

Lisa Philp, vice president for strategic philanthropy at the Foundation Center, said anyone thinking of starting a foundation might want to “do it sooner rather than later,” simply to be able to act under today’s known rules.

A version of this article appeared in print on November 2, 2011, on page F15 of the New York edition with the headline: Tax Rules Allow an Array of Givers to Be More Generous.