



Take Advantage of 2023 Tax Reduction Strategies

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Charitable Giving Tax Planning

Five Charitable Giving Planning Considerations



What is a Charitable Contribution?



Charitable Bunching Strategies



Optimizing Charitable Giving



Types of Charitable Contributions and AGI Limits



Qualified Charitable Distributions



What is a Charitable Contribution?

- A gift of cash or property made to a qualified charitable organization for which the donor receives nothing of value in return
- Qualified charitable contributions are an itemized deduction
- IRS search tool:
 - <https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations>

Deductible As <u>Charitable Contributions</u>	Not Deductible As <u>Charitable Contributions</u>
Money or property you give to: <ul style="list-style-type: none">• Churches, synagogues, temples, mosques, and other religious organizations• Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt or maintain a public park)• Nonprofit schools and hospitals• The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Scouts BSA, Girl Scouts of America, Boys and Girls Clubs of America, etc.• War veterans' groups	Money or property you give to: <ul style="list-style-type: none">• Civic leagues, social and sports clubs, labor unions, and chambers of commerce• Foreign organizations (except certain Canadian, Israeli, and Mexican charities)• Groups that are run for personal profit• Homeowners' associations• Individuals• Political groups or candidates for public office• Groups whose purpose is to lobby for law changes



Types of Contributions and AGI Percentage Limits

Your deduction for charitable contributions generally can't be more than 60% of your AGI, but in some cases 20%, 30%, or 50% limits may apply.

Types of Donations and AGI Limits

- Cash – **60% of AGI** for qualified organizations (most religious, educational, medical, public organizations)
- Property (Non-Cash, other than appreciated stock) – **50% of AGI** for qualified organizations (same as above), minus your cash contributions subject to the 60% limit
- Appreciated Stock (capital gain property) – **30% of AGI** for qualified organizations (same as above), minus contributions that are subject to the 60% and 50% limit.



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How much should I give?

Standard vs. Itemized Deduction:

- Standard deduction limits
- Most common itemized deductions
 - State and Local (\$10,000 SALT cap)
 - Mortgage interest
 - Charitable Contributions
- Am I getting any benefit from my charitable contributions?
- Is there a better strategy to for current and planned charitable giving?

Filing status	2023 standard deduction
Single	\$13,850.
Married, filing separately	\$13,850.
Married, filing jointly; qualified widow/er	\$27,700.
Head of household	\$20,800.



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How much should I give?

Example:

ITEMIZED DEDUCTIONS		STANDARD DEDUCTION (2023, MFJ)	
State and Local Income Taxes (capped at \$10k)	\$10,000		
Mortgage Interest	\$10,000		
Charitable Contributions	\$7,000		
Total Itemized	\$ 27,000.00	\$	27,700.00

- A married filing joint couple that gave \$7,000 to charity throughout the year received no tax benefit in the above example
- The Tax Cuts and Jobs Act (TCJA) was enacted in December 2017 and limited the itemized deduction for state and local taxes to \$5,000 for married filing separate and \$10,000 for all other tax filers. The limit applies to tax years 2018-2025.

This hypothetical example is meant for informational and illustrative purposes only.



Optimizing Charitable Giving

TCJA Sunset – upcoming 2026 changes

Tax changes impacting charitable giving:

- Standard deduction reduced to pre-TCJA amounts - \$12,700 for MFJ
- The SALT deduction will no longer be capped at \$10,000 annually - subject to phaseouts at higher income levels
- The deduction allowed for mortgage interest will increase – interest on loan principal increases from \$750,000 to \$1,000,000
- Individual tax rates are going up
 - 2023-2025 marginal rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%
 - 2026 marginal rates: 10%, 15%, 25%, 28%, 33%, 35% and 39.6%



Optimizing Charitable Giving

TCJA Sunset – Upcoming 2026 changes

Tax Bracket Comparison:

2023		2026	
Tax Rate	For Married Individuals Filing Joint Returns	Tax Rate	For Married Individuals Filing Joint Returns
10%	\$0 to \$22,000	10%	\$0 to \$18,650
12%	\$22,000 to \$89,450	15%	\$18,650 to \$75,900
22%	\$89,450 to \$190,750	25%	\$75,900 to \$153,100
24%	\$190,750 to \$364,200	28%	\$153,100 to \$233,350
32%	\$364,200 to \$462,500	33%	\$233,350 to \$416,700
35%	\$462,500 to \$693,750	35%	\$416,700 to \$470,700
37%	\$693,750+	39.6%	\$470,700+



Optimizing Charitable Giving

How much should I give?

Working with a tax professional:

- Understand your ordinary income marginal rate
- Strategize to gift an amount that provides maximum deduction for your tax bracket
- Consider Medicare premium income thresholds

2023 Federal Income Tax Brackets and Rates for Single Filers and Married Couples Filing Jointly

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns
10%	\$0 to \$11,000	\$0 to \$22,000
12%	\$11,000 to \$44,725	\$22,000 to \$89,450
22%	\$44,725 to \$95,375	\$89,450 to \$190,750
24%	\$95,375 to \$182,100	\$190,750 to \$364,200
32%	\$182,100 to \$231,250	\$364,200 to \$462,500
35%	\$231,250 to \$578,125	\$462,500 to \$693,750
37%	\$578,125 or more	\$693,750 or more



Optimizing Charitable Giving

How much should I give?

2023 long-term capital gains tax rates

Tax-filing status	0% tax rate	15% tax rate	20% tax rate
Single	\$0 to \$44,625.	\$44,626 to \$492,300.	\$492,301 or more.
Married, filing jointly	\$0 to \$89,250.	\$89,251 to \$553,850.	\$553,851 or more.
Married, filing separately	\$0 to \$44,625.	\$44,626 to \$276,900.	\$276,901 or more.
Head of household	\$0 to \$59,750.	\$59,751 to \$523,050.	\$523,051 or more.

Short-term capital gains are taxed as ordinary income according to federal income tax brackets.

Description	Tax Year 2021	Tax Year 2022
SCHEDULE B - TAXABLE INTEREST	1,611.	698.
SCHEDULE B - QUALIFIED DIVIDENDS	10,152.	8,701.
SCHEDULE B - ORDINARY DIVIDENDS	13,323.	10,080.
TAXABLE PENSIONS AND ANNUITIES	14,948.	15,326.
SCHEDULE D (CAPITAL GAIN/LOSS)	82,485.	77,414.
TOTAL INCOME	112,367.	103,518.
ADJUSTED GROSS INCOME	112,367.	103,518.
STANDARD DEDUCTION	27,800.	28,700.
CONTRIBUTIONS	300.	0.
TOTAL DEDUCTIONS	28,100.	28,700.
TAXABLE INCOME	84,267.	74,818.
TAX	520.	0.
TAX BEFORE CREDITS	520.	0.
FORM 1116 (FOREIGN TAX CREDIT)	5.	0.
TAX AFTER NON-REFUNDABLE CREDITS	515.	0.
TOTAL TAX	515.	0.

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Charitable Bunching Strategies

Maximizing your charitable contribution deduction:

- Manage annual gifting thresholds – are you receiving deductions currently?
Take advantage of knowable income variances (up or down).
- Gifting highly appreciated securities – most tax efficient
- Donor Advised Fund (DAF) - maintain flexibility for future changes in charitable priorities
- Charitable Remainder Unitrust (CRUT) - benefit of upfront deduction while maintaining the benefit of income from assets held in the trust.



Qualified Charitable Distributions

Qualified charitable distributions are great options for making tax-free gifts to charity

QCD Benefits and Guidelines:

- The taxpayer doesn't have to worry about meeting the standard deduction or itemizing deductions with a QCD – these gifts are an "above the line" reduction of income.
- Taxpayers who make a QCD must be at least 70½ years old on the day of the distribution.
- A QCD will count toward a required minimum distribution.
- The amount of the QCD can't be more than the amount of the distribution that would count as income.
- The maximum individual annual exclusion for QCDs is \$100,000. Maximum exclusion up to \$200,000 on joint return



Qualified Charitable Distributions

Qualified charitable distributions are great options for making tax-free gifts to charity

QCD Benefits and Guidelines (cont.):

- Added benefit of potential reduction of Medicare premiums – cash contributions made outside of IRA would not reduce MAGI
- Consider age/how far you are from RMDs and plan accordingly.

Modified Adjusted Gross Income (MAGI)	Part B monthly premium amount	Prescription drug coverage monthly premium amount
Individuals with a MAGI of less than or equal to \$97,000 Married couples with a MAGI of \$194,000 or less	2023 standard premium = \$164.90	Your plan premium
Individuals with a MAGI above \$97,000 up to \$123,000 Married couples with a MAGI above \$194,000 up to \$228,000	Standard premium + \$65.90	Your plan premium + \$12.20
Individuals with a MAGI above \$123,000 up to \$153,000 Married couples with a MAGI above \$246,000 up to \$306,000	Standard premium + \$164.90	Your plan premium + \$31.50
Individuals with a MAGI above \$153,000 up to \$183,000 Married couples with a MAGI above \$306,000 up to \$366,000	Standard premium + \$263.70	Your plan premium + \$50.70
Individuals with a MAGI above \$183,000 and less than \$500,000 Married couples with a MAGI above \$366,000 and less than \$750,000	Standard premium + \$362.60	Your plan premium + \$70.00
Individuals with a MAGI equal to or above \$500,000 Married couples with a MAGI equal to or above \$750,000	Standard premium + \$395.60	Your plan premium + \$76.40



TCJA – 2026 changes

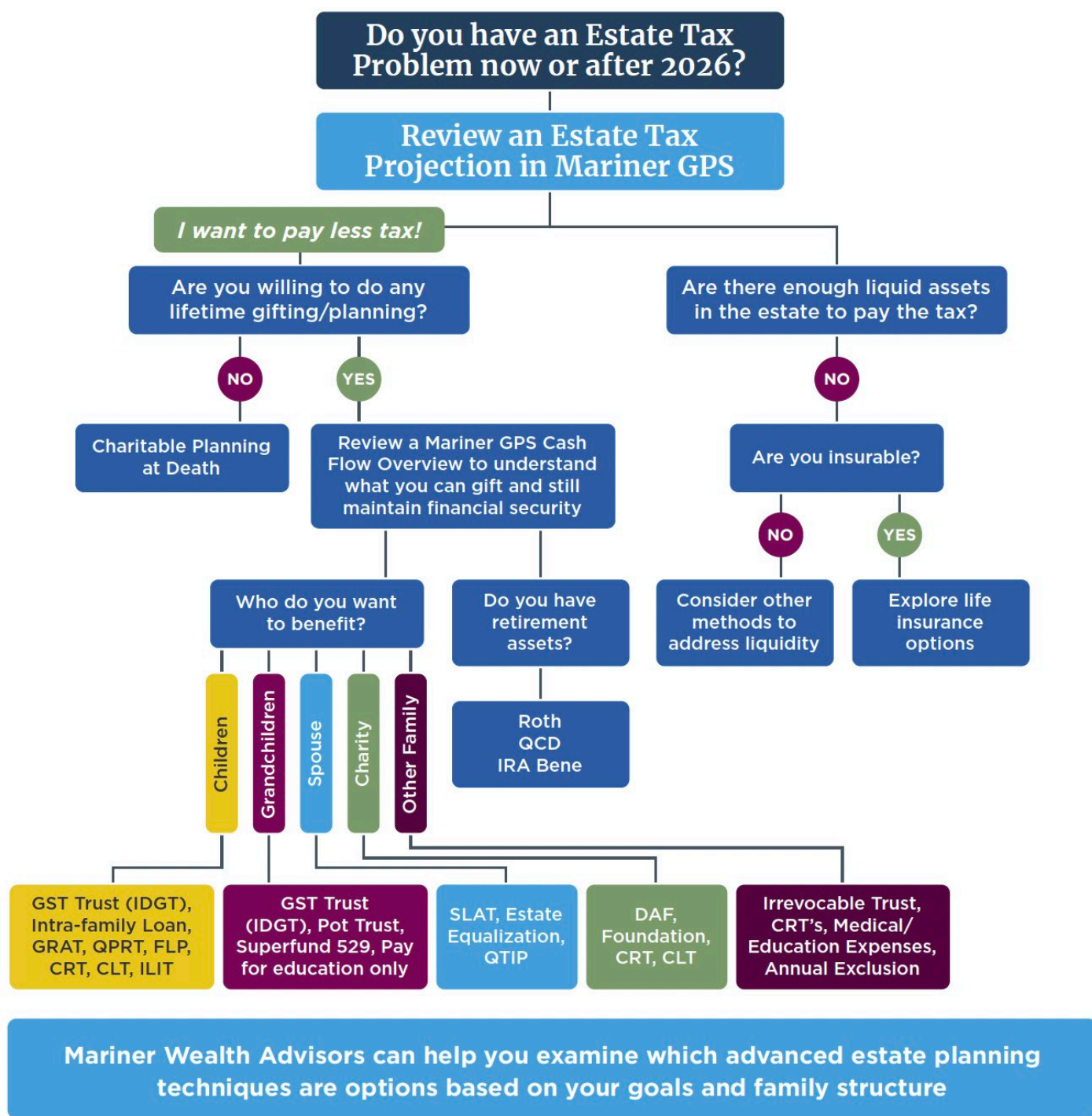
Other TCJA sunseting provisions:

- Lifetime exemption amount will revert to approximately \$6.5m (inflation adjusted)*
- QBID elimination - IRS code section 199A
- Charitable contribution limit – deduction for cash contributions will revert to 50% of AGI



*Estimate only, it is subject to change and provided for illustrative purposes only.





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