Fall Giving Can Benefit Both You and the Charities You Choose

Soon after football season starts and kids return to school, holiday merchandise fills store aisles and nonprofit annual appeals fill mailboxes and inboxes. About 50% of nonprofits receive the majority of their donations from October through December.[1]

Like many people, you may feel inspired by the holiday season to support charitable causes that resonate with you. If you plan strategically, your gift can benefit others while also improving your tax bill.

Here are four tax-smart strategies to consider:

1. Take It off Your Taxes

You can deduct against your income tax any contributions you make to qualified charitable organizations, including nonprofit schools and hospitals; religious organizations; veterans' groups; and even local, state, and federal governments, as long as you itemize your deductions. You're generally allowed to deduct up to 50% of your adjusted gross income (AGI) in a given tax year (some exceptions apply). If your contributions surpass the 50% AGI limit, the IRS allows you to carry over and use the excess amount for up to five years.

You must document any cash-based contribution you make to a qualified charity, regardless of the amount.

For donations exceeding $250, you will need to keep written acknowledgment from the qualified charity with the amount and description of your contribution. For more details, visit IRS.gov.

2. Declutter and Deduct

Your gifts don't have to be cash-based to help others. Many charitable organizations, including the Salvation Army and Goodwill, depend on donations of non-cash items like clothing, furniture, and household goods that they can use directly or resell. The walls of nonprofit museums are filled with donated art collections, and many charitable organizations are happy to receive valuables of any sort, from jewelry to cars and boats.

To figure out how much you can deduct for a non-cash gift, you will need to determine the fair market value of the property at the time you made the donation. And again, you'll need to keep documentation from the charity. The IRS has regulations concerning the required documentation for donations of different amounts, from $500 to $500,000.

3. Give Stock-ing Stuffers

One of the most tax-efficient ways to give to charity is by donating any stocks, bonds, or mutual funds that have significantly appreciated in value over time. Known as "appreciated securities," you can take a charitable deduction on these assets according to their fair market value on the day you donated them. Not only can you take a tax deduction, you also won't need to pay capital gains tax on them — it's a win/win for you and your favorite charity. If you know you want to offload the assets but need more time to determine which charity to support, consider
using a donor-advised fund.

4. Distribute From Your IRA

If you're retired, have a well-stocked IRA, and don't need to take money from it for living expenses, you can instead take a qualified charitable distribution from it to help others and reduce your tax bill. You can donate up to $100,000 from your IRA to a qualified charity without having the gift count as income on your tax return. If you file a joint tax return, your spouse can also make a charitable contribution of up to $100,000, meaning couples can exclude up to $200,000 of their retirement savings from income tax if they donate it to charity.

There are specific requirements that you have to meet to take advantage of this provision in the qualified charitable distribution rules. IRA owners must be age 70½ or older to make a tax-free charitable contribution. If you donate more than the maximum allowable amount, it is considered income and could be subject to taxation. Qualified charitable contributions must be made by Dec. 31 each year to deduct that amount from taxable income.

Regardless of which strategy sounds like the right solution for you, be sure to consult with a qualified tax professional
and/or financial professional to help ensure you get the most out of your donations when tax time rolls around.

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[1]Source: "A Step-by-Step Guide to Year-end Giving," Bloomerang.com