

TAX-EFFICIENT GUIDE TO CHARITABLE GIFTING

There are financial incentives and non-financial reasons for Americans to give generously to charity. The income tax code provides several possible income tax benefits for charitable donations.

1. How much do I need to give to charity to make a difference on my taxes?

Charitable contributions can only reduce your tax bill if you choose to itemize your taxes. Generally, you would itemize when the combined total of your anticipated deductions, including charitable gifts, adds up to more than the standard deduction.

2023 Standard Deductions

| Filing As | Amount |
|------------------------|----------|
| Single | \$13,850 |
| Married filing jointly | \$27,700 |
| Head of household | \$20,800 |

Source: IRS

Keep track of your charitable contributions throughout the year and consider any additional applicable deductions. Generally, taxpayers use the larger of the standard or itemized deduction.

2. What can I take a tax deduction for?

In order to take a tax deduction for a charitable contribution, you'll need to forgo the standard deduction in favor of itemized deductions. That means you'll list out all of your deductions, expecting that they'll add up to more than the standard deduction.

The most common expenses that qualify are:

- Mortgage interest
- Charitable giving
- State and local tax
- Medical and dental expenses that exceed 7.5% of adjusted gross income

Looking for a tax-efficient way to give to your favorite charities?

When you contribute securities or other long-term appreciated assets to a donor-advised fund or to a public charity you are generally eligible to take an immediate tax deduction for the fair market value of the asset donated.

3. What's the maximum amount I can claim as a charitable tax deduction on my taxes?

When you make a charitable contribution of cash to a qualifying public charity in 2023, you can deduct up to 60% of your adjusted gross income if you itemize your deductions.

Investment advisory services offered through SPC Financial® (SPC). SPC and Sella & Martinic, LLC (S&M) are not registered broker/dealers. SPC does not provide tax or legal advice. Tax services and analysis are provided by the related firm S&M through a separate engagement letter with clients. Any Charitable Gifting strategy should be reviewed by your tax professional.



SPC Financial[®]
Finance on a Human Level[®]



TAX-EFFICIENT GUIDE TO CHARITABLE GIFTING

4. What do I need in order to claim a charitable contribution deduction?

Once you've decided to give to charity, consider these steps if you plan to take your charitable deduction:

- Make sure the non-profit organization is a 501(c)(3) public charity or private foundation.
- Keep a record of the contribution. A tax receipt from the charity is required for any donation of \$250 or more and the receipt must contain certain qualifying language.
- If it's a non-cash donation, in some instances you must obtain a qualified appraisal to substantiate the value of the deduction you're claiming.
- With your paperwork ready, itemize your deductions and file your tax return.

5. Which tax bracket am I in and how does that impact my deductions?

Federal tax brackets are based on taxable income and filing status. Each taxpayer belongs to a designated tax bracket, but it's a tiered system. For example, a portion of your income is taxed at 12%, the next portion is taxed at 22%, and so on. This is referred to as the marginal tax rate, meaning the percentage of tax applied to your income for each tax bracket in which you qualify. In essence, the marginal tax rate is the percentage taken from your next dollar of taxable income above a pre-defined income threshold. That means each taxpayer is technically in several income tax brackets, but the term "tax bracket" refers to your top tax rate.

2023 Tax Brackets (for taxes due April 15, 2024)

| Rate | For Unmarried Individuals, Taxable Income Over: | For Married Individuals Filing Joint Returns, Taxable Income Over: | For Heads of Households, Taxable Income Over: |
|------|---|--|---|
| 10% | \$0 | \$0 | \$0 |
| 12% | \$11,000 | \$22,000 | \$15,700 |
| 22% | \$44,725 | \$89,450 | \$59,850 |
| 24% | \$95,375 | \$190,750 | \$95,350 |
| 32% | \$182,100 | \$364,200 | \$182,100 |
| 35% | \$231,250 | \$462,500 | \$231,250 |
| 37% | \$578,125 | \$693,750 | \$578,100 |

Source: IRS

6. How does the Pease limitation affect my tax deduction?

The Pease limitation has been removed from the tax code. The Pease limitation was an overall reduction on itemized deductions for higher-income taxpayers. The rule reduced the value of a taxpayer's itemized deductions by 3% of adjusted gross income over a certain threshold. The 3% reduction continued until it phased out 80% of the value of the taxpayer's itemized deductions.

7. Can I take a Fair Market Value deduction for donating private stocks to charity?

Yes, it's possible to deduct the full fair market value of the contribution if the recipient organization is a public charity. But tactically, the answer depends on whether the charity is able to accept private stock as a gift.

SPC Financial, Inc. can help you explore the different charitable vehicles available and explain how you can complement and maximize your current giving strategy with a tax efficient gifting plan.

8. Are there other charitable gifting strategies?

Yes. Many involve a combination of gifting appreciated assets while retaining a right to future income.