Disciples Guide to

Tax Smart Giving

CHRISTIAN CHURCH FOUNDATION
Helping Disciples Make a Difference
Introduction

The Tax Cuts and Jobs Act of 2017 made significant changes to the federal tax code. Much was written about how those changes would impact individuals and charities. While the nuances of the new law are complex, there are new opportunities available to generous Disciples. We encourage you to read and learn all that you can, consult your own advisors and consider carefully how to be the best steward of your gifts. In the following pages, we’ve summarized ideas for your consideration as you plan current and legacy gifts for the support of Disciples ministries.

Thank you for your interest and for your commitment to the Good News! Please call on us if we can be of assistance as you consider how to be a good and faithful steward of your resources.

Gary W. Kidwell
President
Christian Church Foundation
Getting started

Outright cash gifts – whether made by cash, check, or credit card – are the primary source of support for most Disciples ministries. Fortunately, the deduction for charitable gifts was the only itemized deduction not limited by the new tax code.

Gifts of cash, which previously could be itemized and eliminate tax on up to 50% of your adjusted gross income (AGI) each year, may now eliminate tax on up to 60% of AGI.

For high-income taxpayers, the previous law included provisions that effectively reduced the impact of charitable giving, causing some donors to lose as much as 80% of the value of their deductions. Those provisions have been eliminated, allowing high-income donors to benefit from the full value of future charitable gifts that are over the standard deduction level.

The federal tax law includes higher standard deductions for all taxpayers ($12,000 for individuals and $24,000 for married taxpayers filing jointly). Because other itemized deductions are limited (or eliminated), fewer taxpayers will need to itemize. Deductible state and local taxes, including property taxes, are limited at $10,000 for both individuals and married taxpayers filing jointly. Mortgage interest expense still qualifies as a deductible expense, with some limitations on the amount of the mortgage that qualifies. Without planning, many taxpayers will see a reduced (or eliminated) benefit as a result of their generous charitable gifts.

In the pages that follow, we offer three strategies which may provide additional benefits to you.
“Bunching” contributions

As in prior years, some donors will find that ‘bunching’ charitable gifts (that is, making all their deductible charitable gifts for two or more years in one tax year) would allow them to itemize deductions when they otherwise would not exceed the standard deduction. As an example, assume a married couple - meeting the $10,000 maximum state and local tax deductible - also has $5,000 of deductible mortgage interest. If they make $10,000 of charitable gifts each year, their itemized deductions of $25,000 would exceed the standard deduction ($24,000) by $1,000. If they are able to give $20,000 this and every second year after this year, they would have $35,000 of itemized deductions in their ‘giving years’ - $11,000 more than the standard deduction.

Bunching contributions may be an effective strategy for years when income is higher than normal or in anticipation of significantly lower income.

We recognize that our ministries count on a predictable flow of gifts. This strategy could have adverse consequences for the very ministries we cherish. Communication of your plans will help mitigate the negative impact of irregular gifts.
Donor-advised funds

Donor-advised funds allow donors to make contributions into a fund in one year and ‘advise’ gifts from that fund in future years. They are an effective way to smooth out years with higher-than-average earnings. They also work well for donors who will choose to ‘bunch’ their contributions to include two or more years of contributions in one tax year. For example, a donor giving $10,000 to charity in each year might choose to make his or her normal gifts to charity in 2018, but also contribute $10,000 to a donor-advised fund in the same year. In 2019, that donor could ‘advise’ gifts from the fund to the charities they wish to support. This keeps the cash flowing to the supported charities, while potentially increasing the tax benefits to the donor. The Christian Church Foundation offers a donor-advised program for donors whose giving is primarily to Disciples ministries. Many brokerage houses also offer donor-advised programs.

Giving securities

As in the past, giving appreciated assets to charity yields additional tax benefits.

If you hold marketable securities that have increased in value, and you have held them for more than a year, you are likely to receive additional tax benefits when you use those appreciated long-term assets for your charitable giving.

Giving long-term, appreciated assets allows itemizers to take a deduction at the full market value of the security, not just the amount paid for the security. The capital gains tax you would have paid if you had sold the asset and donated the proceeds is avoided when appreciated securities are donated directly to your favorite charity. This opportunity is available to both itemizers and non-itemizers.
Gifts of appreciated securities may eliminate tax on up to 30% of your AGI, with any excess deductions carried forward for up to five future tax years. If a security has decreased in value, the best tax strategy is to sell the security, take a deduction for the capital loss, and donate the proceeds to charity.

For donors over age 70½

With fewer donors itemizing their deductions, Qualified Charitable Distributions (QCD) from IRA accounts can provide wonderful benefits to an expanded group of senior donors.

Individuals over 70½ are required to take a Required Minimum Distribution (RMD) from IRA assets, based on the balance held in those IRAs on the last day of the previous year. If the RMD is transferred directly to a qualifying charity (a “QCD”), the withdrawn funds will not be included in the account holder’s taxable income! This yields an end result similar to being able to fully itemize every dollar given to charity. It may also provide tax benefits by lowering the reportable income used to calculate any taxes on Social Security income. QCDs are limited to $100,000 per individual, per year.

Donors who hold their retirement accounts in 403(b), 401(k) or other retirement accounts should consider the benefits of transferring all, or a portion, of those accounts to an IRA before year end. At this time, IRAs are the only type of tax-deferred retirement accounts eligible for QCDs. When considering moving other retirement plan assets to an IRA account, it’s wise to confirm the administrator’s willingness to facilitate gifts to charity, or QCDs. Most are!
Gifts that give back to you

There are other gift options that are especially attractive to older donors. Many individuals are concerned about high stock values and preserving a dependable source of spendable assets for their retirement. Charitable Gift Annuities can be a great way to lock-in a fixed annuity payment to you, while providing for a future gift to your favorite ministry! Charitable Gift Annuities can be funded at the Foundation with any amount over $5,000. The annuity will provide regular annuity payments for the lifetime of one or two individuals.

Appreciated securities can be used to fund a Charitable Gift Annuity, yielding both an immediate tax deduction and capital gains savings.

Annuities purchased with cash may enjoy a significant percentage of the fixed and dependable annuity payments free of tax, providing additional benefits to the annuitant.

Contact the Christian Church Foundation for a free, no-obligation proposal to discuss with your financial advisors. The proposal will explain the potential benefits that would be available in your unique situation. Because of the fixed nature of the annuity payments, charitable gift annuities are generally suggested for annuitants who are at least 65 years old.

Planning for future gifts

Well over one thousand Disciples have established an endowed fund through the Christian Church Foundation to carry on their faithful legacies. Distributions from new funds generally begin after the fund balance reaches $10,000. Whether begun during your lifetime, or as a part of your estate planning, these endowment gifts will bear testimony to your love for the ministries you name to receive annual gifts from your Named Permanent Fund.
Future gifts, after all your needs have been met, can be simple to put in place:

*Beneficiary designations on retirement and other tax deferred accounts* are often the best gifts to give to charity. Beneficiary designations can often be changed on-line or with very straightforward paperwork available from your plan administrator. Changing the beneficiary designation for these assets typically does not require other changes in your will or trust documents. These tax-burdened assets retain their full value when given to the church, who – unlike friends and family – will not need to pay taxes on the money withdrawn from these funds. To name the Christian Church Foundation as the full or partial beneficiary of an account, simply name your beneficiary as “Christian Church Foundation, Indianapolis IN, tax identification number – 35-1164552.”

*Giving through your will* could include the gift of a specific dollar amount, a percentage of your estate, or all that remains after you have cared for the needs of your family. If you’d like to make a gift through the Christian Church Foundation, we encourage you to let us know so that we can prepare a gift agreement documenting how your gift will be used to support the ministries of your choosing.

*Giving the proceeds of a life insurance policy* that is no longer needed by your heirs can be a great way to support your favorite ministry. Contact your agent to make any desired changes to your designated beneficiary.
Giving remaining investment or bank account assets by naming your congregation or other favorite ministry to receive all or a portion of that account can be accomplished with “pay on death” (POD) or “transfer on death” (TOD) arrangements. Ask your banker or broker for more information on how you might make a gift from these accounts. You may find that one or more of these ways to give will help you meet long-term charitable goals while first providing for your own needs and those of your loved ones.

Ready to act or learn more?
Please contact us if you like to learn more about any of the ideas presented in this brochure.

Your professional advisors can provide guidance tailored to your personal circumstances, as well as advice about current tax laws.

The Christian Church Foundation works alongside donors and their professional advisors to suggest tax-effective charitable giving options. This brochure is not intended as legal or tax advice; it is general information prepared to share ideas for further discussion with your professional advisors. Some opportunities for giving require donors or income beneficiaries to have reached a certain age, while others may not be available in all states.
The Christian Church Foundation helps Disciples make a difference forever and discover the joy of serving Christ through the sharing of their resources.