

Tax-Efficient & Effective Philanthropy (now with more crypto)

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Part 1: A little intro

Part 2: Where to give

Part 3: General giving & examples

Part 4: Crypto giving & examples

Part 5: Questions

My background

- Engaged in [effective altruism](#) since 2017
- Licensed attorney, though I do not explicitly practice outside of nonprofit work.
- Two additional graduate degrees in social sciences
- Certified Fundraising Executive Certificate from Boston University
- Nonprofit executive director since 2013 (have run two orgs)
- I personally give regularly and [do so publicly](#)
- I own BTC & ETH in a cold wallet (Ledger) as well as other coins on different exchanges (FTX, Gemini, Coinbase)
- I've written several technical essays on giving and taxes
 - [Planned Giving](#)
 - [CARES Act](#)
 - [Taxes & Giving](#)
 - [Donor-Advised Funds](#)
 - [Your Guide To Crypto-Giving](#)
- I've written much more on philanthropy and nonprofits in general
 - [Other Essays](#)



Why this talk? - Avoid Heartache

Two events that break my heart:

1. When effective charities don't get the benefit they deserve
2. When friends giving to effective charities pay tens of thousands or more in taxes than they need to



Disclaimer

- I do not give investment advice.
- I cannot help you complete your personal taxes.
- I am not your personal attorney. This is for informational purposes only.
- I always recommend confirming large financial decisions with your tax advisor and financial planner.
- While I've spent a great deal of time researching in this space and do my best to be accurate, the tax code is complicated and it is possible for me to make a mistake. I will do my best to be clear on areas where either I lack clarity or the law itself is unclear.



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Where to give (Effective Altruism Guideposts)

1. Impact:

- Does it do something meaningfully important (ex: decrease risk of extinction, improve lives, extend lives, reduce deaths)?

2. Neglectedness

- Are others working on this aspect of the problem?

3. Tractability

- Can this actually work?

4. Scale

- Does it work in a way to affect a large number of individuals?

Shameless Plug: A Worthy 501(c)3

[Electionscience.org](https://electionscience.org)



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Science

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Best ways of giving

[1/5]

Employer Matching



Why to take advantage of employer matching:

1. It integrates with other giving approaches
2. It multiplies your gift
3. You don't have to itemize your taxes to take advantage of it.
4. See your employer's policy for unique details.

Shameless plug:

Pledge to take advantage of your employer matching at [Match for More](#).

Best ways of giving

[2/5]

Appreciated Assets



What to be aware of

1. Give the appreciated assets directly to the charity to avoid realizing the gains.
2. Deduct up to 30% of your adjusted gross income (AGI).
3. Hold asset >1 year to deduct both the appreciation and cost basis.
4. Only deductible if you itemize
5. You can roll over excess of 30% AGI to 5 future years, but you can only deduct cost basis in future years

Pitfalls to avoid

1. Don't sell and then donate! You'll realize the gains and have to pay the taxes.
2. Don't purchase another item with the asset (like crypto for crypto). This will trigger realization.
3. Don't donate stock held less than one year if you want to deduct the appreciation.

Reference essay: [Taxes & Giving](#)

Best ways of giving

[3/5]
Cash



What to be aware of

1. Only applicable if you itemize
2. You can deduct up to 50% of AGI if you donate cash and an appreciated asset held longer than a year.
3. You can deduct up to 60% of AGI if you only donate cash.
4. You can roll over deductions in up to 5 future years if you go over the max deductible contribution.

Pitfalls to avoid

1. Cash is usually not the best way to give and holds the fewest tax advantages. Consider using charitable gifts as a way to reallocate your investment portfolio without realizing gains.

Giving Tools

Donor-Advised Fund [4/5]



Great for you

1. Consolidates giving receipts to one location
2. Makes stock donations easy
3. Flexible planning. Tax implications trigger upon deposits. Can gift later at convenience.

Great for nonprofits

1. Good for “public support” test
2. Simplifies donations of complex assets and stocks

Notes

1. Offered by many major banks
2. Minimum deposits have recently been waived by many banks.
3. Small fees may apply if you hold funds.
4. You can invest remaining balances through limited options, but those gains don't give tax benefits.

Reference essay: [Donor Advised Funds](#)

Planned Giving

The low-hanging fruit [5/5]



Charitable Beneficiaries

1. Available for virtually any financial account and even real property in some states.
2. So easy. You can do it in five minutes after logging into your account.
3. More efficient than a will since it avoids probate.

Bonus tip

- You can often make your donor-advised fund your charitable beneficiary. This means you can change beneficiaries at one central location.

Reference essay: [Planned Giving](#)

Application Problem

[1]

Techie Tammie:
What should
Tammie do?



Fact Pattern

Tammie bought \$1,000 of tech stock in 2000. It has since appreciated 100x that at \$100K. Tammie cashes out.

Tammie donates all \$100,000 to CES.

Tammie's AGI would otherwise be \$150K.

What has Tammie done wrong and right?

What should Tammie have done instead?

Application Problem [2]

What mistakes has
Tammie made?



Fact Pattern

Tammie bought \$1,000 of tech stock in 2000. It has since appreciated 100x that at \$100K. Carrie cashes out.

Tammie donates all \$100,000 to CES.

Tammie AGI would otherwise be \$150K.

Tammie's mistakes

1. Sold asset instead of gifting it (realized all the gains and couldn't deduct appreciation)
2. Didn't use a DAF

Implication

1. Pays tax on \$99K in realized appreciation.
2. Deducts \$100K cash gift from her inflated \$249K AGI.

Application Problem [3]

What should
Tammie have
done?



Tammie

Tammie bought \$1,000 of bitcoin at \$220 in 2015. It has since appreciated 100x that at \$100K. ~~Tammie cashes out. Tammie donates all \$100,000 to her favorite charity.~~ Tammie's AGI would otherwise be \$150K.

Tammie's informed actions (assumes same income)

- Tammie gifts \$45K (30% AGI) in stock through a DAF in year 1 and again in year 2. She gifts the remainder through a DAF (\$10K assuming no further appreciation) in year 3.
- Checks for employer matching

Implication

1. Tammie realizes none of the appreciation on her taxes, and her initial taxable AGI does not increase.
2. Tammie deducts \$100K across three years.
 - a. **Note:** She does not donate it all at once and have it carry over. If she attempted this, then she could not carry over the surplus over the 30% cap. She'd only be able to deduct the remainder above the \$1K cost basis, which would be nothing.

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Tip #1: Avoid Realizing Gains Whenever Possible



(These gains are fine!)

Ways to have a taxable event and realize gains:

:(

- Purchase or trade anything with the crypto
- Sell the crypto

If you realize gains, then you pay taxes on the appreciated value at the time of the transfer minus what you paid for the crypto originally.

What doesn't trigger a taxable event:

- Giving crypto directly to a 501(c)3
- Giving crypto directly to a 501(c)4

Tip #2: Max out appreciated asset gifts to 501(c)3 charities.



What to be aware of:

- Give the appreciated crypto directly to the charity to avoid realizing the gains (Do this through an intermediary charity or a DAF).
- Deduct up to 30% of your adjusted gross income (AGI).
- Hold asset >1 year to deduct both the appreciation and cost basis.
- Only deductible if you itemize
- Rollover excess past 30% isn't nearly as good.

Pitfalls to avoid

- **Don't sell and then donate!** You'll realize the gains and have to pay the taxes.
- Don't purchase another item or coin with the asset This will trigger realization.
- Don't donate stock held less than one year to a 501(c)3 if you want to deduct the appreciation

Tip #3: Keep good records!



...so you can pick the coin batch of your choosing

What you need to pick your coin batch:

1. the date and time each unit was acquired;
2. your basis and the fair market value of each unit at the time it was acquired;
3. the date and time each unit was sold (preferably to the second), exchanged, or otherwise disposed of; and
4. the fair market value of each unit when sold, exchanged, or disposed of, and the amount of money or the value of property received for each unit.

Poor records?

- The first-in, first-out principle is assumed. Your oldest coins of the type you're giving are assumed to be the ones chosen. This may not always be the best, so it's better to choose exactly.

Tip #4: Consider giving to a 501(c)4 charity once your deductions run out



What to be aware of

- Giving to a 501(c)4 social welfare organization isn't deductible, but you also don't realize gains (anything is better than realizing gains!)
- Lots of good can be done by a 501(c)4. These orgs often have a harder time getting money.
- Especially consider giving to a 501(c)4 when you've reached your 30% AGI deduction limit for 501(c)3 giving.

Pitfalls to avoid

- Other groups such as 527 organizations may not have the same benefits. Do not assume the same benefits for other kinds of groups.

Giving Intermediaries



Institution	Fees	Give to c4?	Large gifts ok?*	Coin Versatility
Fidelity Charitable	0.6%	No	Yes	Main Only**
Every.org	0.5%	No	Yes	Main Only***
Endaoment	1.5%	No	Yes	Broad
The Giving Block	5%+\$\$	No	No	Broad
Engiven	4%	Yes	No, unless c4	Moderate

* Large gift acceptability refers to whether a large gift transferring through a private intermediary could jeopardize a nonprofit's public charity classification.

** Main coins include BTC, ETH, LTC (See [full essay](#) or site links for complete list for each institution)

*** If gift over \$5K, then options are much more flexible upon request

Application Problem [Part 1/3]

Introducing Crypto Carrie



Fact Pattern

Carrie has bought assorted crypto, including Bitcoin before, but she doesn't keep close track of it. Carrie bought \$1,000 of bitcoin when it was at \$250 sometime in 2015. It has since appreciated 200x that and that batch now contains \$200K. Carrie cashes out.

Carrie donates all \$200,000 to CES.

Carrie's adjusted gross income would otherwise be \$335K without the sale.

What has Carrie done wrong and right?

What should Carrie have done instead?

Application Problem

[Part 2/3]

What mistakes has Carrie made?



Fact Pattern

- Carrie bought \$1,000 of bitcoin in 2015.
- Kept poor records
- Carrie cashes out.
- Carrie donates all \$200,000 to a 501(c)3 charity.
- Carrie's AGI would otherwise be \$335K.

Carrie's mistakes

- Sold asset instead of gifting it (realized all the gains and couldn't deduct appreciation)
- Didn't use a DAF or nonprofit intermediary
- Didn't keep good records to pick the coins she wanted

Implication

Has tax on \$199K in realized appreciation.

Deducts \$200K cash gift from her inflated \$535K AGI. (cash can be deducted up to 60%)

May not get to maximize benefit from correct coin batch

Application Problem

[Part 3/3]

What should Carrie have done?

Crypto Carrie

- Carrie bought \$1,000 of bitcoin at \$220 in 2015 and recorded it properly.
- Carrie donates all \$100,000 to her favorite charity through a DAF
- Broke up giving over two years or gave to 501(c)4, too

Implication

- Carrie picks the coin batch she wants
- The transfer is simple for the nonprofit and the nonprofit doesn't risk reclassification
- Either the full deduction is acquired between both years or the surplus is utilized for a c4 where a deduction isn't possible anyway (but gains are still not realized)



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Questions?



Takeaways:

1. Where you give matters more than how (1) (2).
2. Do not sell and then give. Give directly to the org or DAF. (You should almost always use a DAF.)
3. Give appreciated assets that you've held for longer than one year when giving to a 501(c)3.
4. Keep good records so you can pick your crypto batch.
5. Time your giving when you can to stay at or below the 30% cap for appreciated assets held longer than a year.
6. If giving more than 30% of AGI, consider giving to a 501(c)4; or, accept reduced deduction implications and give more to a 501(c)3.
7. Consider your type of crypto, where it's going, and the amount when deciding the channel to give through.
8. Check out my personal website, aaronhamlin.com as a handy reference.
9. Use these resources to guide your discussion with your tax advisor to avoid mistakes
10. You can give to CES online and via your favorite DAF: <https://electionscience.org/donate/>