

Check your list of tax-deductible gifts twice



SHUTTERSTOCK

By Lynn Asinof | GLOBE CORRESPONDENT NOVEMBER 27, 2015

Tis the season to be giving.

Yet figuring out what to give and to whom can be daunting. The goal is to strike the right balance between what you are able to give and what the recipient needs. Then, too, lots of gifts can also benefit the giver.

So whether you are cleaning out the basement, making donations to charity, or looking for gifts for the kids, here are some thoughts about how to make those goals work together.

Start with the tax code, which offers incentives to give things away. For example, it provides deductions for gifts to charitable organizations as long as donors follow the rules, which can be complex.

If you're cleaning out, chances are good that the things you're getting rid of have some value. The IRS says you can deduct up to \$500 in donations of clothing, furniture, and other stuff without listing the individual items on your return.

The tax paperwork increases as the value of your donation goes up. For donations valued between \$500 and \$5,000, you'll need to file a separate form listing donated items, their original value, their donated value, the charity to which they have been donated, and the date of donation. And if you're donating items worth more than \$5,000, you'll need to include a signed appraisal.

Is it worth it to tackle the paperwork for donations above \$500? Absolutely, says fee-only financial planner Dana Levit of Paragon Financial Advisors in Newton. "A lot of people leave money on the table," she says, sometimes for fear of being audited.

If you keep your donation receipts, follow the rules, and take pictures of donated items, the risk is small and the savings can be substantial. For someone in the 30 percent bracket, for example, a \$1,000 donation can lower the tax bill by \$300.

And dollar amounts for donated goods can go much higher. Cabinets, countertops, sinks, and doors from a major kitchen remodel, for example, can be donated to charities such as the Reuse Center at Boston Building Resources, which resells these materials to low- and moderate-income families and nonprofits at affordable prices. It's not uncommon for such donations to be valued at \$20,000 and up, executive director Matthew St. Onge says.

When it comes to financial gifts, the tax rules provide ways for people to leverage their donations so their giving has greater results. If you've got appreciated stocks in your portfolio, for example, you might consider using them instead of cash for year-end donations, says Michael Kaplan, a Boston tax attorney.

You'll rid yourself of capital gains taxes that you would otherwise owe upon selling. Moreover, qualified charities won't pay tax on these securities when they sell them. That means your gift — and your deduction — will be bigger than if you sold the stock yourself and donated the proceeds.

Keep an eye on the calendar. You want to make sure that any such securities transfers are completed by Dec. 31 to qualify for a 2015 deduction. Ditto if you are giving shares to your kids or other family members using the annual gift tax exemption, currently set at \$14,000. Under the rules, you can make annual gifts of up to the exemption amount without triggering gift tax considerations. Married couples can combine gifts, bringing their exempt amount to \$28,000 this year.

If you give appreciated stock to kids or grandkids, they will also get your original basis — the purchase price upon which such taxes are calculated — so there is no tax savings there. But if the child or grandchild is old enough to escape the kiddie tax, a future stock sale might be taxed at the recipient's lower rate.

The kiddie tax puts children’s investment income above \$2,000 into the parents’ tax bracket. It applies to children under 19 or full-time students under 24.

When it comes to giving cash, a few techniques allow you to exceed the annual gift tax exemption. There is no limit, for example, on the amount of money you spend to pay someone’s tuition or medical bills, as long as the money is paid directly to the school or medical facility. You can also take advantage of special rules that

allow you to fund a 529 state college tuition savings plan using up to five years of your annual gift tax exemption — \$70,000 under current limits — at one time.

In recent years, special rules have given a tax break to people who use required minimum distributions from their IRA to fund a charitable donation. The rules — which allowed people 70½ or older to directly donate up to \$100,000 from their IRA without paying income tax on the money withdrawn — have yet to be extended for 2015.

One strategy for those worried about meeting the Dec. 31 deadline for taking such distributions: If the extension passes this year, they can return any distributions taken in the last 60 days and then use those funds to make a tax-free donation directly from the IRA to the qualified charity, says Grafton “Cap” Willey, a managing director in the tax group at CBIZ Tofias in Providence.

With any of these gifts, there are limits on the amount you can claim as a deduction. For donations of cash or property, deductions are limited to 50 percent of adjusted gross income. That means someone with an adjustable

“

When it comes to financial gifts, the tax rules provide ways to leverage donations so a person’s giving has greater results.

gross income of \$100,000 can't take charitable deductions totaling more than \$50,000. For donations of appreciated securities, the limit drops to 30 percent of adjusted gross income, Willey says.

Online hubs for advice on donating to charity, navigating taxes

Got questions about giving? Here are places to get some answers.

- Planning to donate your old golf clubs but don't know what they're worth?

Check out the **Salvation Army's guide** at

satruck.org/Home/DonationValueGuide. It provides estimates for items ranging from children's snowsuits to furniture.

- Not sure who might want your old washer? **Household Goods**, an Acton-based charity that offers donated household items to people in need, publishes a list at hgrm.org/other_organizations.htm. It includes not only the items it will accept but also those accepted by a wide range of Boston-area organizations.

- Need more information about a charity you plan to support? **Charity Navigator** at charitynavigator.org lets you dig into the data on more than 8,000 charities, providing ratings, information on their mission, the percentage of money going to programs and services, accountability, and comparisons with comparable charities.

- Want to make sure you understand the tax rules on charitable donations or other kinds of gifting? [The IRS website](#) offers a wealth of information, providing tips, citations, examples, exceptions, and guidance on a wide range of topics.

LYNN ASINOF

Lynn Asinof can be reached at lasinof@journalist.com.

Get Today's Headlines from the Globe in your inbox:

Enter your email address

SIGN UP

[Privacy Policy](#)

0 COMMENTS

© 2015 BOSTON GLOBE MEDIA PARTNERS, LLC
