

TAX PLANNING FOR YEAR-END CHARITABLE CONTRIBUTIONS

The holidays are an ideal time to pause to think about what you're grateful for in your life. Often, that reflection can lead you to consider the kinds of charitable causes you'd like to support. **If you're planning any year-end charitable giving, it's a good idea to keep the tax benefits of those kinds of gifts in mind.**

CARES ACT TEMPORARY CHANGES

DEDUCTIONS IF YOU DON'T ITEMIZE — Usually, if you take the standard deduction on your taxes, you can't also claim a deduction for charitable giving. But because of the CARES Act, you can now claim a limited charitable deduction on your 2021 taxes. Individual tax filers can claim up to \$300, and those who are married and filing jointly can claim as much as \$600.

AGI CAP REMOVAL — The CARES Act gives you the option to contribute up 100% of your adjusted gross income to qualifying charitable organizations. Normally, that amount is limited to 20-60% of your AGI.

EXCEPTIONS — There are a couple of exceptions to keep in mind for these CARES Act changes: Donations to donor-advised funds, contributions from previous years, and donations to private foundations or charitable remainder trusts don't qualify.



QUALIFIED CHARITABLE DISTRIBUTIONS — After you turn 72, you can satisfy all or a portion of your required minimum distribution with a QCD. That QCD amount isn't included in your taxable income, and there might be other tax and Medicare premium benefits.

INCREASING YOUR GIFT — If you itemize deductions, that usually allows you to deduct charitable donations. Also, you could potentially increase your gift.

For instance, let's say you want to donate \$1,000 to a qualified charity. One way to give more is to increase it by the amount of any income taxes you save with the charitable deduction for the gift.



So, if you're taxed at the 24% tax rate, you might be able to give \$1,316 to charity [$\$1,000 \div (1 - 24\%) = \$1,316$; $\$1,316 \times 24\% = \316 taxes saved].

Similarly, if you fall into the 32% tax bracket, you might be able to give \$1,471 to charity [$\$1,000 \div (1 - 32\%) = \$1,471$; $\$1,471 \times 32\% = \471 taxes saved].

GIFT TIMING — When you make a donation at the end of the year, you'll probably want to consider that gift as part of your year-end tax planning. Usually, you'll want to time your recognition of income so that it's taxed at the lowest rate possible. Similarly, you want to time your deductible expenses so you can claim them when you're in a higher tax bracket.

If you have questions about charitable giving, please reach out to us.

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