

Tax Benefits Of Charitable Giving: 4 Stories

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How can you benefit charity and also receive tax benefits? The following are some examples our clients have used to accomplish these goals.

1. Bill wanted to gift to charity but preferred not to part with cash to make the donation. He remembered he had a stock that had gone up in value since he purchased it. Instead of selling the stock and incurring capital gains tax, Bill simply transferred the stock itself to the charity. He did this by instructing his broker to transfer the stock in kind to the charity's account. The charity then sold the stock. Bill thus not only made a gift to benefit charity, but he received an income tax deduction for the full fair market value of the stock.
2. Louise had an IRA. She decided to name her favorite charity as the death beneficiary of the IRA. Louise continued to receive IRA distributions during her life. At her death, the IRA went to the charity, without any income tax or death tax that would have greatly eroded the IRA if it had passed to individuals. While this example involved an IRA, this same method can be done with an annuity.
3. Mary had a stock that had appreciated greatly since she inherited it years ago. It was not paying much of a dividend. She wanted to sell the stock without having to pay capital gains tax, diversify into other stocks, receive more income during her life, and donate the balance at her death to charity. Mary formed a Charitable Remainder Trust ("CRT") and gifted the stock to the CRT. The CRT sold the stock without having to pay capital gains tax, the investments were diversified into many stocks, and the CRT by its terms paid Mary seven percent (7%) of the CRT balance each year during her life. This increased Mary's income during her life and allowed her to do more charitable giving. When Mary died the balance in the CRT went to charity. While Mary gifted stock in this instance, the Charitable Remainder Trust technique can be done with appreciated land as well as stock. Also, the amount of the percentage payment the donor receives during life can be negotiated with the charity.
4. John, a single person with no children, wanted to benefit his favorite charity but not give up assets during his life. He decided to donate the remainder interest in his house, reserving the right to live there during his life. He received an immediate income tax deduction for the present value of the remainder interest, and at his death the home passed to charity.

If you are interested in discussing ways to give to Blanchet Catholic School, call Director of Development Brandy O'Bannon at (503) 391-2639, and of course consult your advisors. You may find a gift can not only be a wonderful help to Blanchet, but also provide tax benefits back to you. Also, all donors who have named Blanchet in their wills or trusts automatically are considered Members of Blanchet's new Legacy Society.