YEAR-END TAX-EFFECTIVE GIVING

YOU CAN **DO WELL** YOURSELF, WHILE YOU **DO GOOD** FOR YOUR CHARITY!

JOHN SLAYTON, CFP®

MANAGING DIRECTOR – FIRST CAROLINA WEALTH

NOVEMBER 27, 2023

Persistent inflation and high interest rates have driven up the costs of operating the charity of your choice. Taking an efficient, tax-smart approach to maximizing donor impact and benefit is of ultimate importance in 2023. Below are a few smart considerations for your charitable giving.

Qualified Charitable Distributions ("QCDs")

- Individuals age 70½ and older can direct QCDs of up to $100,000 per year from their traditional IRAs to operating charities (excluding donor-advised funds) and reduce their taxable income.
- Starting in 2023, donors can also direct a one-time, $50,000 QCD to a charitable remainder trust or charitable gift annuity.
- A QCD can satisfy all or part of a donor's annual Required Minimum Distribution ("RMD") and is not taxable income for the donor (lower Adjusted Gross Income ("AGI")) but does not qualify for a charitable deduction.
- Married couples who submit joint tax returns each qualify for an annual QCD of up to $100,000, for a potential total of $200,000, and annual inflation-based adjustments of the QCD limit start in 2024.

Donate Appreciated Non-Cash Assets

- Donating appreciated publicly traded securities, real estate, and other non-cash assets held more than one year means donors generally can eliminate the capital gains tax they would otherwise incur if they sold the assets and donated the sale proceeds.
- Donors who itemize deductions when filing their tax returns may also claim a charitable deduction for the fair market value of the assets.
- Eliminating the capital gains tax can increase the amount available for charities by up to 30% (state and federal taxes) and increase the deduction amount.

Bunch Multiple Years of Charitable Contributions in 2023

- Donors who itemize rather than take the standard deduction typically do so because the total of their itemized deductions exceeds their standard deduction amount.
    - Inflation-based adjustments pushed standard deduction amounts for 2023 to new highs: single filers may claim a $13,850 standard deduction, while married couples filing jointly can claim a $27,700 standard deduction.

- These numbers rise to $14,600 and $29,200 for 2024.
- It could be beneficial to combine or "bunch" 2023 and 2024 tax year contributions into one tax year (2023), itemize on their 2023 tax return, and take the standard deduction on 2024 taxes.
    - This bunching strategy, using both the standard deduction and itemized deductions, could produce a larger two-year deduction than two separate years of standard deductions.
    - Bunching three or more years of contributions together may further increase a donor's tax savings.
- Donations are deductible for donors who itemize when filing their income tax returns.
    - Overall deductions for donations to public charities, including donor-advised funds, are generally limited to 50% of adjusted gross income (AGI).
    - The limit increases to 60% of AGI for cash gifts, while the limit on donating appreciated non-cash assets held more than one year is 30% of AGI.
    - Contribution amounts more than these deduction limits may be carried over up to five subsequent tax years.
- Charitable deductions can offset the tax liability on actions such as:
    - Converting a traditional IRA to a tax-preferred Roth IRA
    - Retirement account withdrawals
    - Sales of securities for tax-loss or gain harvesting, or simply rebalancing your investment account

Please feel free to contact wealth@firstcarolinabank.com with any questions.

Supporting the charity of your choice is not a tax-driven decision, but why not do so in a manner that delivers a WIN-WIN result?!