

Gifts, Money & Taxes 101

Mid-Iowa Planned Giving Conference

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FOX PHILANTHROPIC ADVISORS LLC

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Important to remember

- It's not your role, nor is it appropriate, to provide tax or financial advice to a donor.
- Always encourage donors to speak with their tax or financial advisor before making a major or planned gift.

Information current as of September 2024.



Gifts, Money & Taxes

The Game Show!



Homer Simpson is a Labor Relations Manager at the Midlife Crisis Roadster Assembly Plant. He is well paid, and adding in his many side hustles and Marge's hair-styling business, they're in the top marginal income tax bracket.

What is the Simpsons' marginal income tax rate?



Income Tax Rate Table for 2024

	Single	Married - Joint
10%	0 – 11,600	0 – 23,200
12%	11,601 – 47,150	23,201 – 94,300
22%	47,151 – 100,525	94,301 – 201,050
24%	100,526 – 191,950	201,051 – 383,900
32%	191,951 – 243,725	383,901 – 487,450
35%	243,726 – 609,350	487,451 – 731,200
37%	609,351+	731,201+



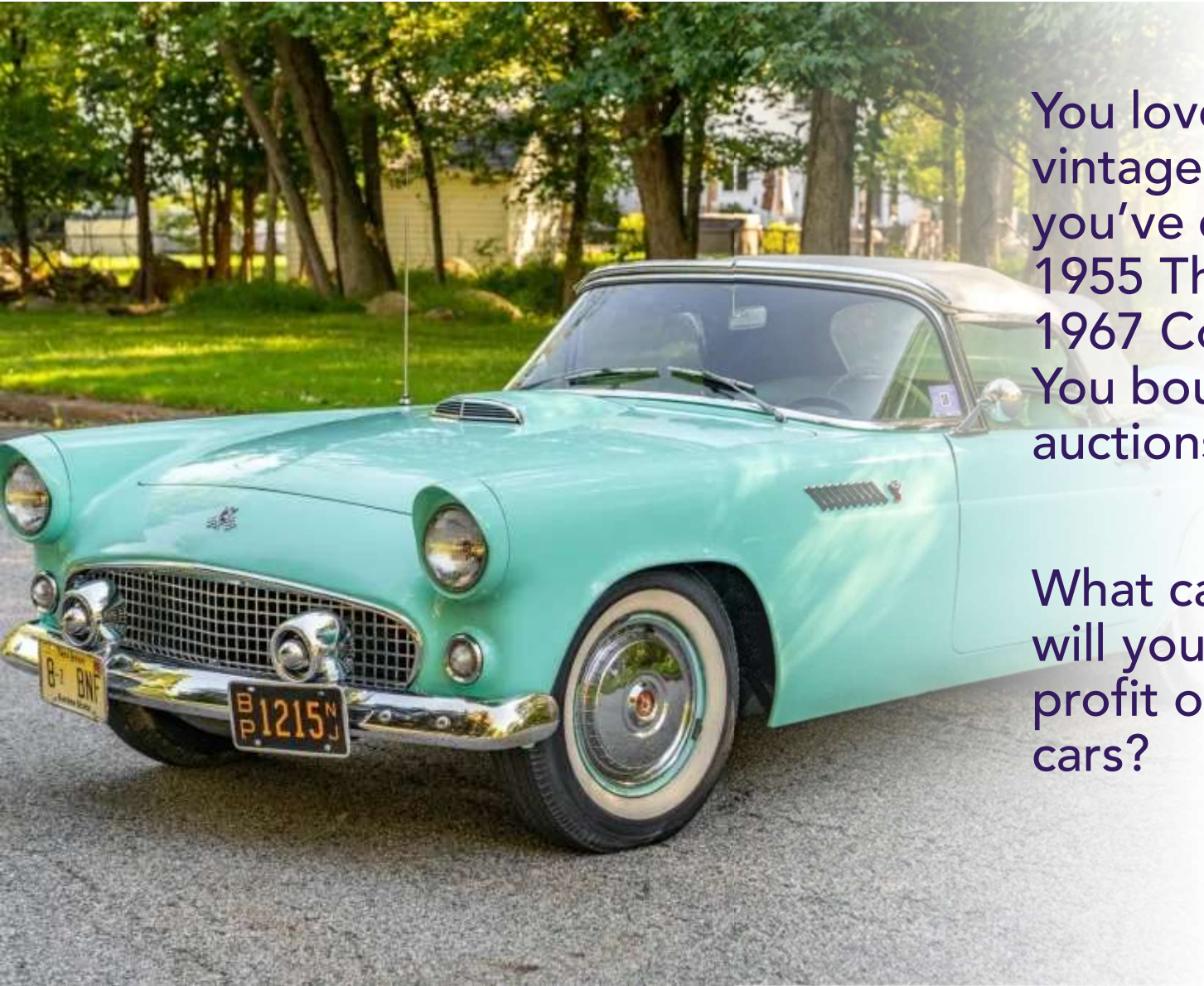
Your brother-in-law arranged for you to purchase 1,000 shares of stock in Monster Beverage on June 1, 2018 for \$29 per share. It was a good deal after all, and today it has appreciated in value to \$50 per share. Now you decide to cash in the shares before their customers crash and burn, taking the stock down with their caffeine highs.

You are not married and will make approximately \$600,000 in income this year. What capital gains tax rate will you pay?



20%

LT CG Rate	Single	Married Filing Jointly
0%	\$0 - \$47,025	\$0 - \$94,050
15%	\$47,026 - \$518,900	\$94,051 - \$583,750
20%	\$518,901+	\$583,751+



You love your collection of vintage automobiles, but you've decided to sell your 1955 Thunderbird and your 1967 Corvette Convertible. You bought them at auctions in 2010.

What capital gains tax rate will you have to pay on your profit on these appreciated cars?

The maximum long-term capital gains tax rates for collectibles is **28%**.





You still have those 1,000 shares of Monster Beverages stock you bought on June 1, 2018 for \$29 per share. You decide to donate them to the Greater Des Moines Botanical Garden.

How much capital gains tax will you have to pay when you contribute the shares?

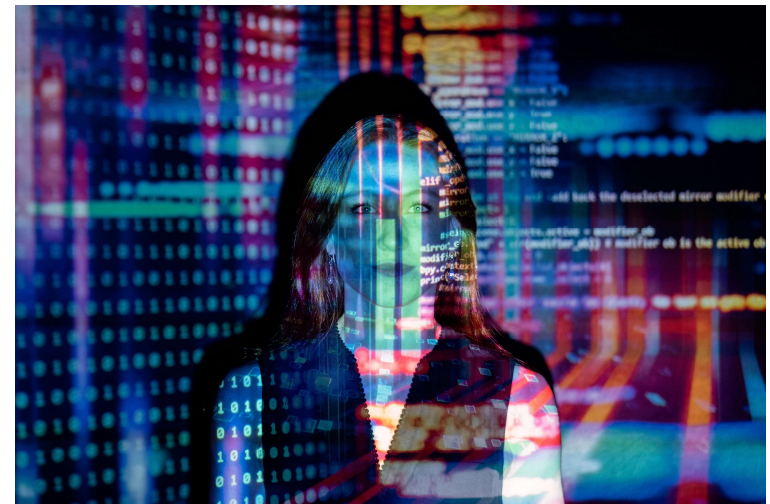


Zero

- Taxpayers bypass capital gains taxes when they donate appreciated stock to charities.
- Donors receive a charitable deduction for the full fair market value of the stock held longer than one year.

In December 2023 you purchased \$5,000 worth of Nvidia stock. Thanks to the AI craze, that stock has doubled in price.

If you donate all that Nvidia stock to Animal Lifeline today, can you deduct the entire \$10,000?





No

- **Because you held the stock for less than one year, your deduction is limited to your cost basis - \$5,000**
- **What if you sell the stock? What tax rate will you pay?**
 - **Your short-term gains will be taxed at your highest ordinary income tax rate**

Commercial Break





Itemized Deductions

- **Standard deduction (\$14,600; \$29,200)**
 - Available to any taxpayer who does not itemize deductions
- **Itemized deductions**
 - Eligible expenses that taxpayers can deduct from their taxable income
 - Most charitable contributions are eligible expenses for deductions



Determining Value of Charitable Deduction

- **Marketable securities**
 - Mean share price on date of the gift
- **Other property**
 - Deduction is equal to the appraised value.
 - Deductions greater than \$5,000 require a “qualified” appraisal



Limitations on Deductions to Public Charities

- Cash
 - 60% of AGI
- Long-term capital gain property
 - 30% of AGI
- Tangible personal property
 - related use - full FMV; 30% of AGI
 - unrelated use - cost basis; 50% of AGI
- Carry forward
 - 5 additional years for excess deduction

CAUTION: Uncertainty Ahead



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Back to our Show!



After six years, your prodigal son has finally earned his bachelor's degree from Drake University. You want to reward him for a job well-done, even if it did take two extra years.

If you give him \$15,000, is it a taxable gift?






No.

Annual gift tax exclusion: \$18,000

- A gift tax applies to the transfer by gift of any property.
- The annual exclusion is the amount a person is allowed to give another person without incurring Federal gift tax.



Now your prodigal son has earned an M.D./Ph.D.! You can hardly believe it! And he's making you proud by choosing to work for a global humanitarian organization, providing medical services for refugees. Since you know he won't make a generous salary, you decide he should receive his entire inheritance of \$5,000,000 now.

Do you owe gift tax on this transfer?



No

The unified gift and estate tax exemption is currently *\$13,610,000*.

This exemption shelters gifts beyond the annual exclusion.




Your favorite Aunt Midge, unmarried, died this year with \$17,610,000 in assets. She left \$1,000,000 to Vassar (her alma mater) and the rest to you, her favorite niece.

What's the value of her taxable estate?



The value of her *taxable* estate is
\$3,000,000.

\$17,610,000 total estate value
- \$1,000,000 to Vassar (deductible
charitable contribution)
= \$16,610,000 remaining
- \$13,610,000 estate tax exemption
= tax owed on \$3,000,000



Your father is updating his estate plan. He has a total of \$2,000,000 in appreciated securities and an IRA worth \$2,500,000, in addition to a house and some collectibles. He wants you to have \$1,000,000 and he wants to contribute the rest to the Des Moines Area Food Bank.

Should he leave you the IRA or the appreciated securities?



Appreciated securities

Appreciated securities receive a step-up in cost basis upon the death of the owner.

This results in little or no capital gains tax to heirs should they choose to sell them.

What about the IRA? What happens when an IRA passes to heirs?

Stay tuned

**Conclusion
of Game
Show**

**Thank you,
contestants!**




A top-down view of a person's hands clasped on a white desk. The person is wearing a light purple long-sleeved shirt, a black digital watch on their left wrist, and a gold and silver link bracelet on their right wrist. A magnifying glass is positioned over a document that has the words "STOCK MARKET" printed in yellow. In the background, a portion of a laptop keyboard is visible. The bottom of the image features a dark green horizontal bar.

Let's talk about
retirement accounts



Retirement Plans and Lifetime Gifts

- Considered taxable withdrawal from the account if account holder is younger than 70 ½, or if taken by account owner first.
- Qualifies for charitable income tax deduction
- Limitation on charitable deduction (60% AGI)
- Retired donors in lower tax brackets may pay more tax because of charitable gift from retirement account!



Qualified Charitable Distribution (QCD; "Charitable IRA Rollover")

- Opportunity to make charitable contributions directly from an IRA to qualified charitable organizations
- Individuals aged 70 ½ or older may transfer up to \$105,000 in 2024*
- This contribution generates neither taxable income nor an itemized deduction
- Distribution may be applied to RMD

*Original limit of \$100,000 now indexed annually for inflation.



Income in Respect of a Decedent (IRD)

- Assets that would have been considered income in the hands of the deceased; taxed as ordinary income when passed to heirs
- Most common IRD asset: Retirement Plan Accounts (IRA, 401(k), 403(b))
- IRD Assets are great to leave to charity at death of owner
- Other assets unlikely to be subject to income tax when passed to heirs.



IRA vs Appreciated Stock to Heirs

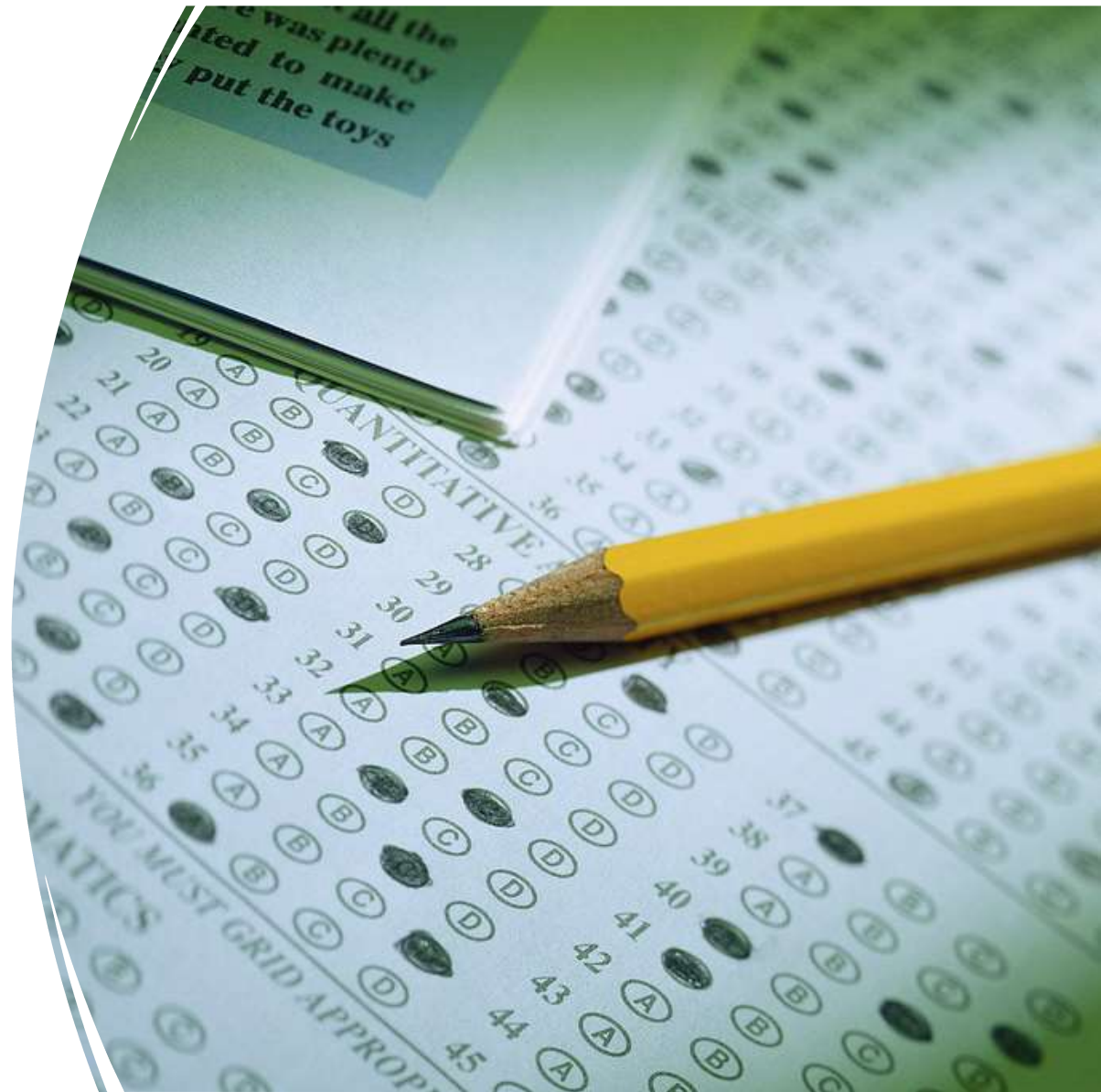
	Appreciated Stock (\$100K)	IRA (\$100K)
Estate provision for heirs	\$100,000	\$100,000
Income tax (24% bracket)	\$0	\$24,000
Net benefit for heirs	\$100,000	\$76,000



IRD and the Charitable IRA Rollover

- Separate but related issues
- Anyone at any age can designate a charity as beneficiary of IRA
- Simple - beneficiary designation form
- Easy to change as circumstances change
- Great choice for charity employees with 403(b) plan

**Let's talk
about that
quiz!**





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