



# *visions* IN PERSONAL PLANNING

- Tax-wise giving
- Key concepts for 2014

Fall 2014

## **An End Marks a Beginning**

Songwriters have called it “the most wonderful time of the year.” It’s the time between Thanksgiving and the New Year, and it’s filled with family and friends, gatherings and celebrations. It’s a time for renewing old traditions and beginning new ones. It’s a time to count our blessings, think about others, and consider what we want to do personally to help the causes and charities that mean the most to us.

This newsletter explores a few simple planning options we think you will find helpful in exploring year-end gift opportunities that complement your personal and charitable planning goals. Why not take a few moments, now, to explore these ideas and think about how they might apply to your personal situation?

In the meantime, if we can answer any questions you may have or help you explore these ideas in greater detail, feel free to contact us by phone or email, or simply return the enclosed card to request our complimentary brochure—the *Taxpayer’s Home Companion*. We’re also happy to help with any year-end gift planning options you’re considering and, as always, we thank you for your generosity and continued support.

Cordially, Fraternaly and Sincerely,  
Faron A. Lewitt

## **HAVE YOU RECENTLY REVIEWED YOUR WILL?**

As you consider year-end planning goals, it may be helpful to review your will and consider a legacy gift to the Zeta Beta Tau Foundation. A charitable bequest in your will is easy to make, and you retain lifetime control of the gift property.

Since a charitable bequest can take many forms, you have remarkable flexibility in how you make this designation. For example, you can leave a specific asset, a specific sum of money, a percentage of your estate, or what remains in your estate after you have provided for all other beneficiaries.

See your attorney to amend or create your will. And please let us know if we can be of help. Your attorney will want our exact legal name: **Zeta Beta Tau Foundation, Inc.**

### **OUR PLANNED GIVING WEBSITE!**

Visit [www.zbt.org/plannedgiving](http://www.zbt.org/plannedgiving) to learn more about options for integrating tax-favored giving with your personal planning.

**ZETA BETATAU**  
FOUNDATION

# Know the Basics of Tax-Wise Giving

Some charitable giving rules are straightforward, while others are more complex. Most of us know we can make tax-deductible gifts to our favorite charities; however, it's also important to know a few simple rules that apply to these deductions. For example:

- **Itemize deductions.** Of course, a tax deduction is not the primary reason you give, but keep in mind that there are tax benefits available from your charitable gifts, and if you do not itemize you will not get to enjoy them.
- **Time your donations.** Individual gifts are based on a calendar year. To take advantage of 2014 deductions, you must make your donation before December 31, 2014.
- **Give to qualified charities.** Unless the organization is a church or a government entity, a charity must apply to the IRS to qualify. IRS Publication 78 lists every qualified charity.

Remember, always consult an advisor, and please let us know if we can be of help.

# Numbers Count

Like most donors, you give because you want to give back. You want to contribute to the charities you've spent a lifetime supporting, and you want to realize personal planning goals. Of course, your advisors can provide you with detailed advice; however, there are a few basic tenets you may want to keep in mind. By being aware of these rules, you can benefit us, reduce your taxes, and sometimes give more than you might otherwise have thought possible.

- **Know your deduction limits.** For cash gifts, you can give up to 50% of your Adjusted Gross Income (AGI) and deduct the full amount from your income taxes. For gifts of appreciated property held more than a year, the limit is 30% of your AGI. When a gift exceeds either limit, you have five additional years to use the "excess" charitable deduction.
- **Keep records.** Even a small cash gift (an amount less than \$250) must have some written substantiation—a cancelled check, a bank record, or a detailed receipt from the charity. For all gifts (cash or otherwise) of \$250 or more, the charity receiving the donation must provide each donor with written documentation.
- **Complete the required IRS forms for specified gifts.** If you claim a deduction for non-cash gifts of more than \$500, you must attach IRS Form 8283 to your return. If you donate an item (or group of similar items) valued at more than \$5,000, you must also complete Section B of Form 8283, which requires an appraisal by a qualified appraiser.
- **Know what it's worth.** Know the value of items you donate. With donations of clothing or household property, your deduction is limited to present value, not purchase price. Furthermore, the property must be in good condition.





## Avoid Capital Gains

Appreciated property can be an especially rewarding gift option. When you make a gift of appreciated stock (held for more than one year), you pay no capital gains tax on the appreciation. That means a double tax savings:

- You avoid the capital gains tax that would have been due had you sold the stock.
- You enjoy an income tax deduction based on the value of the stock when the gift is made.

**Example 1:** Five years ago, Patricia purchased stock in a start-up company for \$20,000. Fortunately, the company became a social media darling, and the stock is now worth \$50,000. Patricia thinks the stock is overpriced in today's market. If she sells the stock, she'll pay capital gains tax on \$30,000. If she gives the stock directly to us, no capital gains tax is due and she is eligible for a tax deduction of \$50,000. In a 33% tax bracket, the itemized deduction for the gift reduces Patricia's tax bill by \$16,500 (33% of \$50,000). This gift also enables Patricia to avoid the \$4,500 in capital gains tax ( $\$30,000 \times 15\%$ ) that would have been due if she sold the stock.

**Example 2:** Harry, who is in the 28% tax bracket, makes a \$10,000 gift of stock. He purchased the stock five years ago for \$5,000. The gift reduces his taxable income by \$10,000, and eliminates \$2,800 (28% of \$10,000) from his tax bill. So, the actual cost of Harry's gift is \$7,200 ( $\$10,000$  minus  $\$2,800$ ). Harry also avoids capital gains tax on the \$5,000 increase in the stock's value.

## YEAR-END GIVING TIPS

**Be careful.** Know what you can and cannot deduct. You cannot deduct money paid to a charity for raffle tickets or fund-raising events that include meals or entertainment. (You can only deduct an amount that exceeds the fair market value of any food, drink, and entertainment you received.) Also, you cannot deduct time you spend or services you provide volunteering.

**Deduct mileage.** You can deduct mileage for driving your vehicle while helping a qualified charity or organization. You can also deduct certain other expenses associated with volunteer work.

**Donate a vehicle.** If you are getting rid of an old car or boat, you can donate it and get a deduction. However, these types of donations are closely monitored by the IRS. In most cases, you can claim a deduction that reflects the amount the charity will receive when the vehicle is sold. There are forms to submit that track the actual money realized for these gifts.

**Donate collectibles.** There are specific rules concerning "collectible" gifts. You can deduct the fair market value of a collectible only if the charity plans to use the item in a way that is related to its tax-exempt purpose. A good example is donating a painting intended for display in a museum. If the charity plans to sell the painting or other collectible, the gift is limited to the donor's cash basis in the property.



## BE AWARE OF THE NET INVESTMENT INCOME SURTAX

The Net Investment Income Surtax is a tax on “passive” income (interest, dividends, capital gains, etc.). Gifts of appreciated property escape this tax, which makes these gifts more attractive than ever. The 3.8% tax applies to taxpayers earning more than certain threshold amounts—\$200,000 for single taxpayers and \$250,000 for couples. Taxpayers with significant investment income should pay close attention because this tax could boost their marginal rate to as high as 43.4% for those in the top bracket (39.6%).

## WATCH FOR IRA CHARITABLE ROLLOVER NEWS

Another wrinkle to watch is the potential revival of IRA Charitable Rollovers. In years past, IRA Charitable Rollovers have been a way for IRA owners over age 70½ to:

- Make a direct distribution from an IRA to charity
- Escape income tax
- Satisfy required minimum distribution rules

This provision expired in 2013. In July 2014, the U.S. House of Representatives approved H.R. 4719, which would make the IRA Charitable Rollovers permanent. IRA owners need to stay tuned because legislation may make this attractive gift option available again for the 2014 tax year.

## Mission Possible

Philanthropy is a powerful force in America. Indeed, its roots stretch back to the early colonists. As a part of this uniquely American tradition, the end of the year, combined with the holiday spirit, prompt us to examine our personal giving goals. We hope your goal is twofold: To support the mission of the Zeta Beta Tau Foundation by giving generously and to enjoy all the tax benefits that giving provides.

Once again, if we can be of assistance in any way, feel free to contact us by phone, email, or simply by returning the enclosed card to request our complimentary brochure—the *Taxpayer's Home Companion*. We're also happy to help with any year-end gift planning options you are considering. As always, we thank you for your generosity and continued support.

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