What are tax benefits of Planned Giving

Planned giving offers several tax benefits that can help individuals maximize their charitable contributions while reducing their overall tax burden. These benefits include:

1. Income Tax Deductions

- Donations made through planned giving vehicles, such as charitable trusts or donor-advised funds, may qualify for income tax deductions. The amount of the deduction depends on the type of gift, the recipient organization, and the donor's adjusted gross income (AGI).
- For example, cash gifts to qualified charities can be deducted up to 60% of the donor's AGI, while gifts of appreciated assets (like stocks) are typically deductible up to 30% of AGI.

2. Capital Gains Tax Savings

- Donating appreciated assets, such as stocks, real estate, or other investments, allows donors to avoid paying capital gains taxes on the appreciation. This means the full value of the asset can go toward the charitable cause, rather than being reduced by taxes.

3. Estate Tax Reduction

- Planned giving can reduce the size of an estate, which may lower or eliminate estate taxes. Charitable bequests made through a will or trust are generally exempt from estate taxes, ensuring that more of the estate is directed toward charitable causes rather than taxes.

4. Gift Tax Exemptions

- Gifts made to qualified charities are not subject to federal gift taxes. This allows donors to make significant contributions during their lifetime without incurring additional tax liabilities.

5. Tax-Free Income Through Charitable Trusts

- Certain planned giving vehicles, such as charitable remainder trusts (CRTs) or charitable lead trusts (CLTs), provide tax advantages while generating income for the donor or their beneficiaries. For example:
  - **Charitable Remainder Trusts (CRTs):** Donors receive an income stream for a specified period, and the remainder goes to charity. Donors can claim an immediate partial tax deduction based on the present value of the future gift.
  - **Charitable Lead Trusts (CLTs):** Charities receive income for a set period, and the remainder goes to the donor's heirs, often with reduced gift or estate taxes.

6. IRA Charitable Rollover (Qualified Charitable Distributions - QCDs)

- Individuals aged 70½ or older can donate up to $100,000 annually directly from their IRA to a qualified charity without the distribution being included in taxable income. This also satisfies the required minimum distribution (RMD) for the year.

7. State Tax Benefits

- In addition to federal tax benefits, some states, including Minnesota, may offer additional tax incentives for charitable giving, such as deductions or credits for donations to certain types of organizations.

Summary:

Planned giving not only allows individuals to support causes they care about but also provides significant tax advantages. By reducing income, capital gains, estate, and gift taxes, donors can maximize the impact of their contributions while preserving wealth for their families and charitable interests. Consulting with a financial advisor or estate planning attorney can help donors choose the most tax-efficient strategies for their philanthropic goals.