KANSAS CITY SYMPHONY

2022 GIVING TIPS

It's a new year and time to consider how best to make donations to our favorite charities. In November, we discussed "bunching" charitable donations to more fully utilize larger Standard Deductions. This time let's look at donations of appreciated securities and Qualified Charitable Distributions from IRAs.

Appreciated Securities

Donating stocks, bonds or mutuals funds is an effective way to satisfy one's charitable wishes while eliminating potential capital gains taxes. A donation of appreciated securities to a qualified charity provides the donor a deduction at the securities' fair value, while eliminating potential capital gains taxes. **For example, a donation of stock whose original cost was $5,000 but is now worth $15,000 could save a donor as much as $2,500 in Federal and state capital gains taxes, when compared to first selling the securities, then donating the proceeds.** It's important to remember that, at death, the security will likely receive a step-up in basis, thereby eliminating capital gains tax to the heirs.

IRA Qualified Charitable Distributions

If you were born before 1/1/1950, you likely have another tax advantage available to you. Because you are 72 years or older, you must withdraw a "Required Minimum Distribution" or "RMD" from your tax-deferred retirement funds each year. (Although these mandatory withdrawals rates were revised for 2022, they still start at 3.65% for 72-year-olds, and increase from there.) **If these retirement funds are in IRAs, you can direct your RMDs to qualified charities. Such direct transfers are known as "Qualified Charitable Distributions" or "QCDs."** QCDs satisfy one's RMD obligation without having to pay tax on the distribution, while still deducting a Standard Deduction. For example, let's assume a married couple, both 72 years or older, withdraw $25,000 from their IRAs. If they receive the $25,000, then donate $15,000, they'll pay tax on $25,000, then likely deduct their $28,700 Standard Deduction. If, however, they direct their IRA custodian to send $15,000 directly to their charities and $10,000 to them, they will satisfy their RMD obligation, avoid tax on $15,000, and deduct the same Standard Deduction. **In this scenario, they'll save more than $4,000 in taxes.**

Whether or not these tax savings are available to you depends on your particular situation. Kansas City Symphony volunteers can help provide general information, but please seek specific advice from your financial, tax, and/or legal advisors.

Joe Sims, CPA (retired)