

Tax Efficient Gifting Opportunities

Making charitable donations is a popular and tax-beneficial strategy. There are two usual ways that charitable gifts are made, either cash or as property (real property or real estate, personal property or financial assets such as stocks, mutual funds, etc.). In looking at ways to make charitable gifts, we have highlighted two strategies you might consider. **Please seek professional tax advice before making any donations and note that the examples provided are for illustrative purposes only and do not constitute tax advice in any way.**

1. Gifting of Appreciated Securities

If you were going to make a gift of \$5,000 to House of Menuha and you had some appreciated stock that you had bought years ago, instead of donating cash you could make a gift of \$5,000 worth of the stock. The potential advantage to you of donating the securities is that you are able to get a full \$5,000 itemized deduction for the stock's value without having to pay any taxes on the appreciation. Otherwise, you would have to sell the stock, pay any taxes due and donate the remainder to Menuha.

Example:

Assume you wanted to make a \$5,000 contribution to Menuha. Also assume you have 100 shares of ABC, Inc stock valued at \$50 per share that you paid \$10 for years ago. If you sold the stock for \$5,000 you might have to pay capital gains tax of \$600 (15% of the \$4,000 gain) and would only have \$4,400 left for the donation. Instead of selling the stock yourself, you could donate the stock directly to Menuha, have no taxes to pay on the stock's gain and you would get a full, itemized deduction for \$5,000 and Menuha would also get the full \$5,000. Menuha has to clear such a transaction through a brokerage account which is already set up, and to receive the 2007 income tax deduction the donation/transfer will most likely have to be completed early in December.

2. Special Direct IRA Gifting Opportunity

New for only this year, a special opportunity is available until Dec 31, 2007 to make a contribution directly from your regular IRA account without paying taxes on the distribution from the account, called a "Qualified Charitable Distribution" or QCD. If you are at least 70 ½ years old, you can donate up to \$100,000 of IRA assets this year to tax-qualified charities, such as House of Menuha. In making such a gift, you pay no taxes on the amount of the gift distribution. The donation can come from one or more IRA accounts and can be directly given to one or more charities. This withdrawal may also have the following benefits:

- It may count toward or fulfill your minimum required distribution
- You do not have to itemize your return to take advantage of this option
- It may reduce your otherwise total taxable income and therefore your taxable portion of Social Security retirement benefits
- Is not included in charitable donor limitations based on Adjusted Gross Income (AGI)

This is only available for IRA accounts other than Simplified Employee Pension (SEP) plans or SIMPLE IRAs. To make this type of contribution, simply have your IRA trustee make a distribution directly to House of Menuha, rather than to you. See your IRA trustee for details.