FAQs: A snapshot of clients' tax-time charitable giving questions

The year is in full swing. Attorneys, accountants, and financial advisors are asking clients to start gathering tax documents and related paperwork for 2023 tax returns and 2024 planning. Now is a good time for advisors to review a few basic tax principles related to charitable giving. Here are three questions that are top of mind for many advisors, along with answers that can help you serve your clients.

How important is it to high net-worth clients to get a tax deduction for gifts to charity?

Among clients who own investments of $5 million or more, 91% of those surveyed reported that charitable giving is a component of their estate and financial plans. In another study, most affluent investors cited reasons for giving well beyond the possibility of a tax deduction and would not automatically reduce their giving if the charitable income tax deduction went away. What this means for your practice is that it's important to be aware of your clients' non-tax motivations for giving, such as family traditions, personal experiences, compassion for particular causes, and involvement with specific charitable organizations. This also means it's critical to talk about charitable giving with all of your clients because it's likely that most consider it to be important.

Why do clients so often default to giving cash?

Many clients simply are not aware of the tax benefits of giving highly-appreciated assets to their donor-advised or other type of fund at the Community Foundation or other public charity. Even if they *are* aware, they forget or are in a hurry and end up writing checks and making donations with their credit cards. It's really important for advisors to remind clients about the benefits of donating non-cash assets such as highly-appreciated stock, or even complex assets (*e.g.*, closely-held business interests and real estate). When clients give highly-appreciated assets in lieu of cash, they often can reduce–significantly–capital gains tax exposure, and they can calculate the deduction based on the full fair market value of the gifted assets.

What are the basic deductibility rules for gifts to charities?

It's important to know that the deductibility rules are different for your clients' gifts to a public charity (such as a fund at the Community Foundation) on one hand, and their gifts to a private foundation on the other hand. Clients' gifts to public charities are deductible up to 50% of AGI, versus 30% for gifts to private foundations. In addition, gifts to public charities of non-marketable assets such as real estate and closely-held stock typically are deductible at fair market value, while the same assets given to a private foundation are deductible at the client's cost basis. This difference can be enormous in terms of dollars, so make sure you let your clients know about this if they are planning major gifts to charities.

So what's the first step? Reach out to the team at the Community Foundation! We really mean it. Make it a habit to mention charitable giving to your clients. From that moment on, whatever the clients' charitable priorities, consider our team to be your behind-the-scenes back office and support department to handle all of your clients' charitable giving needs.