

CHARITABLE GIVING TAX-SAVING STRATEGIES FOR 2022

Some of the charitable giving incentives available in 2020 and 2021 have not been renewed by Congress – but there are still smart tax-saving strategies to use in 2022:

CHARITABLE DEDUCTION FOR NON-ITEMIZERS

The “above the line” deduction for cash gifts to charities available 2020 and 2021 has ended. This provision gave a break of \$300 for single filers and \$600 for married couples filing jointly who claimed the standard deduction.

STRATEGY – “BUNCH” YOUR CHARITABLE GIFTS

If you don’t give enough to charity in a single year to justify switching from the standard deduction to itemizing your deductions, consider “bunching” your gifts. Every other year (or every third year), give larger gifts and itemize your deductions in that tax year. Then reduce your charitable giving and take the standard deduction in alternate years. Note that the 2022 standard deduction (\$12,950 for single filers and \$25,900 for couples) is slated to go up significantly in 2023 in response to inflation (to \$13,850 and \$27,700), so 2022 may be a better year to itemize deductions – and for “bunching” your gifts for 2022 and 2023.

Note that many charities have fiscal years that don’t follow the calendar year (Clark’s runs from June 1 – May 31), so you can keep your record of loyal giving going by making two gifts in one calendar year and none the next. You can also use a Donor-Advised Fund to make a large deductible gift in one tax year then recommend charitable grants from your fund over subsequent years.

AGI LIMITS FOR CHARITABLE GIFTS

If you itemize, the cap on the deduction for cash gifts has dropped back to 60% of your adjusted gross income (AGI). Gifts of long term appreciated property including stocks are subject to a 30% of AGI deduction limit. If you make gifts of both cash and appreciated property, your total deduction can be up to 60% of AGI.

STRATEGY – CARRY YOUR DEDUCTION FORWARD

If your gifts exceed the AGI limits in a given year, you can use the standard carry forward of up to five additional tax years in order to claim the full deduction for your charitable gifts.

FIAT LUX LEGACY SOCIETY

Clark’s Fiat Lux Legacy Society honors alumni, parents and friends who have demonstrated their commitment to Clark’s future by establishing planned gifts or including the University as a charitable beneficiary of their estate plans.

Join us by creating your legacy gift for Clark today

If you have already included a gift to Clark in your trust or will or via a beneficiary designation on a retirement account or life insurance policy, please let us know so we can welcome you to the Fiat Lux Legacy Society.



STRATEGY – GIVE LONG-TERM APPRECIATED SECURITIES

Maximize your charitable impacts for the lowest out-of-pocket costs by making a gift of appreciated securities you have owned for at least one year. You'll save on capital gains tax and Clark gets the full market value of your shares. Charitable giving can also be a strategic aspect of rebalancing your portfolio; use the cash you would have given to purchase new investments – or to repurchase the shares you gave at a higher cost basis reducing your capital gains liability down the road.

STRATEGY – DONATE CASH FROM THE SALE OF DEPRECIATED SECURITIES

Do you have securities worth less than you paid for them? If you sell them you can claim capital losses to offset any capital gains and up to \$3,000 of ordinary income. Donating the proceeds will net you additional tax savings in the form of a charitable deduction.

STRATEGY – GIVE YOUR IRA REQUIRED MINIMUM DISTRIBUTION

If you are age 70½ or older, take advantage of the IRA Charitable Rollover (also known as a Qualified Charitable Distribution) to make tax-efficient charitable gifts. Gifts made directly from your traditional IRA count towards your required minimum distribution (RMD) and are not reported as taxable income. Having a lower AGI will reduce not only your federal income taxes (even if you don't itemize deductions), but may also lower state income taxes as well as your Medicare premiums. You can give up to \$100,000 in a tax year; and if you're married, your spouse can give the same amount. Be sure to initiate your gift by December 1st to ensure it counts towards your 2022 RMD. Learn more about the rules and benefits of the IRA Qualified Charitable Distribution at www.clarku.edu/plannedgiving/IRAQCD.

STRATEGY – OFFSET TAX LIABILITY ON A ROTH CONVERSION

Converting some or all of a traditional IRA or other tax-deferred retirement account to a Roth account can be a good long-term financial strategy by providing tax-free growth and tax-free withdrawals. If your retirement assets have been hit by 2022's stock market fluctuations, this may be an opportune time for a Roth conversion. This move will create taxable income in the year you convert; an offsetting charitable gift can reduce your tax liability.

STRATEGY – PLAN NOW FOR 2023

Many of these strategies work best if you make a plan early in the tax year. Whether you're bunching your charitable gifts, setting up an automatic distribution to Clark from your IRA (that won't exceed your RMD for the year) or rebalancing your portfolio, having a plan in place in January can help you maximize your 2023 tax savings.

Everyone's situation is unique; we recommend you consult your tax or financial advisor to determine the best charitable giving strategies for you.

Questions? Contact us at (877) 252-7510 or plannedgiving@clarku.edu