

United Way
of Santa Barbara County



YEAR-END PHILANTHROPY: Reminders that Help Make the Most of Your Generosity

There are many ways you can make an impact on the Santa Barbara community through United Way. It might be meeting an immediate need or a long-term strategy to do more. In either case, we are always ready to put your generous gift to good use and strive to make charitable giving a satisfying experience for you.

The end of the year is an important time to reflect and take stock, and part of that task for most people is to wrap up 2008 in the most tax-efficient way possible. In this *Visions in Personal Planning*, we discuss various ways that year-end giving can be especially rewarding. In particular, we look at why a gift of appreciated stock can be a smart idea. Understanding year-end giving strategies may enable you to make a charitable gift with an impact far greater than you expect.

As a bonus, we are offering our popular *Taxpayer's Home Companion* to you. It contains useful information about income tax figures and rates, plus helpful tips on charitable giving. Simply return the reply card for this handy guide. We look forward to hearing from you.

Sincerely,

Judy Goodbody, CFRE
Gift Planning Services Officer



Heritage Club members, Becky Brown, Paul Didier and Karen Knight

visions^{IN} PERSONAL PLANNING

Twelve Tips on How to Give... and Save on Your Taxes, Too

Most of us know that we can make tax-deductible donations to our favorite charities. However, with our ever-changing tax laws, many people remain a bit fuzzy on the details. As a result, they miss out on important tax-saving deductions.

Here are some of the basic rules you'll want to know:

- 1 Be sure that you itemize your deductions.** The tax deduction is not the reason why you give, but know that taxpayers who do not itemize deductions gain no tax benefits from a charitable contribution.
- 2 Timing is everything.** Individual gifts are based on a calendar year. So, if you want to take advantage of tax deductions for 2008, you must make your donation effective before midnight on December 31, 2008.

3 Deduction limits for charitable gifts. For cash gifts, you can give up to 50 percent of your Adjusted Gross Income (AGI) and deduct the full amount on your income taxes. For gifts of appreciated property, the limit is 30 percent of your AGI. Plus, if your gift exceeds either limit, you have five additional years to use the ‘excess’ charitable deduction.

4 Give to qualified charities. Unless the organization is a church or a government entity, the charity must apply to the IRS to qualify. The IRS keeps a record of every qualified charity in its Publication 78.

5 Keep records. Even a cash gift of less than \$250 must have some written substantiation like a canceled check, a bank record or a detailed receipt from the charity. For all gifts (cash or otherwise) of \$250 or more, the charitable organization receiving the donation must provide written documentation.



6 Complete forms for larger gifts. If you claim a deduction of more than \$500 for all contributed property, you must attach IRS Form 8283, *Noncash Charitable Contributions*, to your return. Taxpayers donating an item or a group of similar items valued at more than \$5,000 must also complete Section B of Form 8283, which requires an appraisal by a qualified appraiser. All these forms do sound complicated, but they are required for accuracy’s sake.

7 Be careful. Know what you cannot deduct. You cannot take a deduction for money paid to a charity for raffle tickets or tickets for fund-raising events that include a meal and/or entertainment. (If the ticket cost exceeds the fair market value of the event, you can deduct that portion.) You likely cannot write off most club or organization dues or contributions to political action committees. You cannot take a deduction for the time and service you devote to your favorite cause, no matter how valuable your time may be.

8 Deduct mileage. You can deduct mileage for driving your vehicle while helping a qualified charity or organization. You can also deduct certain expenses associated with volunteer work, such as the cost of travel, lodging and food if you take the youth group out of town.



9 What is it worth? Know the true value of items you donate. With donations of clothing or household property, your deduction is limited to its present value, not the purchase price, and only if the property is in good or better condition.

10 Vehicle donations. You can donate that old car or boat and get a deduction. However, be aware that these types of donations are closely watched by the IRS — in most cases, an individual can claim only the price that the charity can get by selling the vehicle. There are special forms to submit to track the actual money realized by the gift.

11 Collectible donations.

There are specific rules on making a gift of a collectible to a charity: you can deduct the fair market value only if the charity plans to use the item for a use related to its tax-exempt purpose. A good example is a painting intended for display at an art museum. However, if the charity simply plans to sell the item, the gift is limited to the cash basis in the property (which still could be a significant deduction if the basis is high).

12 Appreciated assets. You can get a double benefit by giving appreciated assets. If the donated property has gone up in value since you bought it, you can (A) get the charitable deduction for the fully appreciated value and (B) avoid paying tax on the capital gain. If you had sold the asset first and gave the cash to the charity, however, you would owe tax on the gain. So, many people make gifts of appreciated stocks or mutual funds. (See the next article for more information.)

Reminder: If you are like most people, you give to charities and other tax-exempt organizations because you want to benefit a worthy cause. By being aware of the tax rules, you can help us and save taxes at the same time (though you should always consult a tax advisor). More tips are covered in our *2009 Taxpayer's Home Companion*. Please send for your own copy right away.

The Outright Gift of Appreciated Stock: Why It's Still Important

The outright gift of an appreciated stock is a smart way to give to a qualified charity because of the double tax benefit:

- One, a tax deduction for the fair market value of the stock;
- And two, the avoidance of federal capital gains.

Even when the financial outlook seems uncertain, a charitable gift of appreciated stock is still a viable option. When the sale of a stock would result in a capital gain, you can realize an advantage by making a gift of the stock rather than making an equivalent cash gift.

Here is an example: Your 100 shares of a financial stock that you bought in 1992 for \$1,000 are worth \$5,000 today. After following the stock price over several months, you decide to give us your 100 shares. Because of the gift, you are eligible for an income tax charitable deduction of \$5,000. And, you avoid the tax on the \$4,000 of long-term capital gains that would be due if you had sold the stock — a savings of \$600. The two tax benefits work in tandem to produce a lower after-tax cost for the gift compared to simply selling the stock and giving us the proceeds.

Comparison of a Gift of Cash versus a Gift of Stock

	CASH GIFT	STOCK GIFT
Gift amount	\$5,000	\$5,000
Charitable tax savings*	\$1,650	\$1,650
Capital gains tax savings	\$0	\$600
Cost of gift	\$3,350	\$2,750

Both gifts are equally effective and greatly appreciated...but a gift of appreciated stock can be made at a lower cost to you. And we can make immediate use of a gift of stock as well as a cash gift.

* Savings for a taxpayer in a 33% tax bracket.

To enjoy the benefits of a gift of stock you will need to select a stock that you have held long-term and you need to itemize your deductions. Be sure to check with your financial and tax advisors. When it is the right time to act, we can help put your gift of stock into motion — it's really quite simple.

END OF THE YEAR (a note on the elections)

Though it may be true “nothing is certain but death and taxes,” that doesn’t mean the tax laws never change. This is especially true after an election year. No matter who is elected as president or to the congress, the prospect for change in the federal tax laws is very likely. Keep track of the political debate on the estate tax, capital gains tax, taxation of dividends, individual income tax rates, etc. Be sure to pay close attention to the legislative news in the next year — a change in the tax laws could affect you. And, of course, always consult your tax advisor.

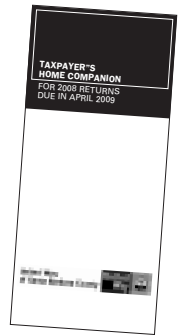
THE NEW YEAR

The new year is approaching fast and we are excited about continuing our mission. Our newsletters are one way to communicate with you, and we hope that the information we provide is timely and useful. *We would also love to hear from you.* If you have any questions or suggestions, we are glad to discuss your ideas. We want to make your gifts as effective as possible and your experience of charitable giving as rewarding as possible.



Thank You for Your Generosity

Charitable gifts play an important role in helping us pursue our mission. And charitable gifts provide major tax benefits for you as a generous donor. Just return the enclosed reply card, or contact us, and we will send you a complimentary copy of the *Taxpayer's Home Companion*, a valuable compendium of tax facts and tax saving suggestions you can share with your financial advisors. And please call if there is anything we can do to help.



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