

THE SKETCHLEY LAW FIRM, P. A.

Providing Compassionate Support & Guidance Through Elder Law & Guardianship

'TIS THE SEASON TO BE CHARITABLY GIVING

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Our nation's fiscal policy is used to change social or economic behavior, including encouraging charitable contributions. Gifts to charities can be tax deductible. Since 1917, the government has used tax laws to empower taxpayers to decide which causes are worthy of support. Because of the charitable deduction, the government and the taxpayer become partners—the taxpayer supports his/her charity of choice and the government foregoes tax revenues.

Charitable Contributions

To be deductible, a charitable contribution must: 1) be made to or for the use of a qualified recipient; 2) be a transfer of money/property made with no expectation of a return benefit; 3) actually be paid to the recipient; and, 4) not exceed certain percentage limitations.

There are a range of entities that qualify as recipient for charitable contributions, including political subdivisions, and religious, charitable, and educational institutions. It does NOT include an individual or a trust for the benefit of an individual. Thus, while it may be a charitable act to give to an individual, it may be advantageous if gift planning is done in a way to maximize tax savings.

The IRS publishes a list of organizations that qualify (Publication 78). There is a searchable version online: <<http://www.irs.gov/app/pub-78>>.

Income Tax Deductions

For individuals, the charitable deduction for income is limited to 50 percent of the taxpayer's contribution base (essentially adjusted gross income) for the taxable year for contributions to churches, educational organizations, medical care

organizations, governmental units, qualified 501(c)(3) organizations, etc. Contributions in excess of this limitation may be carried over for a five-year period. The percentage limitations are different for corporations.

A "quid pro quo" contribution is made partly as a contribution and partly in consideration for goods or services provided to the payor by the donee organization. If an organization receives a "quid pro quo" contribution in excess of \$ 75, the organization must provide a written statement that informs the donor that the amount of the contribution that is deductible for Federal income tax purposes is limited to the excess of the amount of property contributed by the donor over the value of the goods or services provided by the organization, and provide the donor with a good faith estimate of the value of such goods or services.

Estate Tax Deduction for Charitable Gifts

An individual's estate, upon death, is not subject to federal estate tax unless she has an estate value of \$2,000,000 in 2008, which increases to \$3,500,000 in 2009. Property transferred by the decedent during his lifetime or by will to certain qualified charities is deducted from the donor's gross estate for estate tax purposes. Bequests are not subject to percentage restrictions that apply to the income tax deduction, but do have other restrictions. Generally, organizations that qualify under the income tax deductions will also qualify as qualified recipient organizations under the estate tax code.

If you would like to arrange for one of our attorneys to speak to your group or organization about this topic, please contact Tracy Rouse at (850) 894-0152. Past newsletters can be found at www.sketchleylaw.com.



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