GIVING WISER AT THE END OF 2023: TOP 10 IDEAS

1

Get tax benefits even if you aren't itemizing deductions

Make a charitable gift, get a charitable tax deduction. That's great, but what if you can't use these deductions? You can still avoid taxes.

Give appreciated assets (stocks, real estate, etc.) and you'll avoid paying any capital gains tax on the gain. Remember: Don't sell then give. If you do, you'll have to pay the capital gains tax. Instead, give it before the sale. The Ballet doesn't pay any tax when it sells.

If you're age 70½ or older you can give directly from your IRA or IRA rollover. This earned income is never taxed when it goes directly to the nonprofit. This makes it a smart way to give - even better than itemizing deductions!

2

Make a charitable swap: Give appreciated investments WITHOUT changing your portfolio

With a charitable swap, instead of giving cash, you give appreciated stock. Then you use the cash to buy the same number of shares in the same company. Your portfolio doesn't change. But the capital gain is removed because the shares are newly purchased. (There is no waiting period. Why? Because this is gain property not loss property. So, the "wash sale" rule doesn't apply.)

Donating appreciated assets creates TWO tax benefits. The tax deduction is the same size as a gift. (The asset must have been owned for a year or more.) PLUS, you avoid paying capital gains tax.

3

Make IRA gifts @ age 73+

Those aged 73+ must take RMDs (Required Minimum Distributions) from their retirement accounts like IRAs or IRA rollovers. These distributions count as taxable income. But giving directly from your IRA or IRA rollover to Kansas City Ballet does not count as income and reduces your RMD. It's a great way to give! You can give up to $100,000 per year this way.

4

Make IRA gifts @ age 70½+

Even though RMDs don't start until 73, direct donations from your IRA or IRA rollover are allowed starting at age 70½. You can give up to $100,000 per year this way, regardless of RMDs. This earned income is never taxed because it goes directly to Kansas City Ballet. This makes it a smart way to give.

5

Take advantage of higher interest rates

Interest rates have gone up. You can lock in these higher rates for life with a Charitable Gift Annuity. This gives you fixed annual payments for life and a charitable tax deduction while supporting the nonprofit. Higher interest rates make the charitable deductions even larger than before. For an extra tax benefit, you can fund these by giving appreciated assets instead of cash. Or, if you are 70½+, you can fund these with money directly from your IRA or IRA rollover. ($50,000 one-time maximum for IRA or IRA rollover. This also counts against any RMDs.)

6

Move your 401(k)/403(b) into an IRA rollover now to prepare for future IRA gifts

To make direct gifts with a 401(k) or 403(b), you must first convert the account into an IRA rollover. But conversion requires taking any RMD for that year from the 401(k) or 403(b) first. And, you must pay taxes on that year's distribution.

You can avoid that tax by making the conversion before you turn 73. Then, you'll be set up to make future donations from your IRA rollover whenever you want.

7

IRA beneficiary v. gift in a will

Many people like to include a charitable gift in their will to support a cause that has been important in their lives. One tax smart strategy is to leave part of an IRA, 401(k), or 403(b) account to a nonprofit. (It's easy to change account beneficiaries online.)

Why is this smart? Because heirs pay income taxes on this money, but charities don't. So, if you're leaving anything to a nonprofit, use these accounts first.

8

Take an immediate deduction for donating inheritance rights to homes or farmland

Many people like to include a charitable gift in their will. But you can donate the inheritance rights to farmland or a home using a special deed instead. Doing this creates an immediate income tax deduction. It's deductible because, unlike a will, you can't change your mind once the deed is recorded.

Example: A 65-year-old supporter deeds the inheritance rights to $100,000 of farmland in November of 2023. They can take an immediate income tax deduction of $46,037. They keep the right to use the property for the rest of their life.

9

Bunch gifts with a donor advised fund

Because of higher standard deductions, fewer people are itemizing. This means fewer people can use charitable deductions. One way around that is to "bunch" charitable gifts.

Example: A Ballet supporter puts 5 years' worth of donations into a donor advised fund. They take a tax deduction for the entire amount in that year. Because the deduction is so large, they itemize in that year. In later years, they take the standard deduction instead. They still send the same money at the same time to their favorite charities; it just comes from the donor advised fund instead of from a checking account.

10

Combine a Roth conversion with a donation

A Roth conversion moves money from a standard IRA into a Roth IRA. The benefit: all distributions from the Roth IRA, even future earnings, are tax free. Higher interest rates can mean higher earnings on investments, making this strategy even more attractive. The downside: all money moved into the Roth IRA counts as immediate income.

When a Roth conversion creates an income spike, charitable planning can create a deduction spike to help offset it. This can include strategies like charitable gift annuities, donor advised funds, charitable remainder trusts, retained life estate deeds, or paying a multi-year pledge early.

These are just a few ideas to discuss with your tax advisor. They may not apply in your situation.
To learn more about how your gifts can make a lasting impact at Kansas City Ballet,
contact Rebecca Zandarski, Director of Gift Planning at **816.216.5597** or **rzandarski@kcballet.org**.