

# Shavano

December 2020

A publication exclusively for the residents of Shavano Park

## LIVING



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# 2020

## Clarity on Charitable Donations



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This year is unlike any other. That truth is clear when it comes to charitable contributions. Several relief measures and new tax rulings may affect your usual giving plan, for better or for worse. If you're a business owner, even more opportunities abound. It's worth a close look before the end of the year to ensure you're on the right track.

*Changes for 2020* alone include a bonus \$300 donation write-off allowed to individuals who claim the standard deduction. For taxpayers who itemize, a full 100% deduction based on adjusted gross income for qualified contributions may be available (usually that deduction is limited to 60%). Can you donate even more? You're in luck: For a limited time, contributions beyond the deduction limit can be carried over to the next tax year.

Here are some additional considerations:

#### Are you at retirement age?

Those who have reached retirement age and must meet required minimum distributions (RMD) can donate up to \$100,000 of retirement funds tax-free, directly to qualified charities. In past years, this was a great way to meet RMDs, but the *rules have changed for 2020*. Under *current regulations*, you may not be required to take distributions until you're 72. RMDs have also been temporarily suspended for the year, including for beneficiaries with inherited IRAs and other retirement accounts. So what should you do? That's a great question to bring up to your tax advisor since every situation is unique.

#### Are you a business owner?

If you're a business owner, you often have a choice on whether your donation should be deducted on your personal or your business tax returns. Does it matter? Yes, for even more reasons this year.

If you received Paycheck Protection Program (PPP) funds for your business, you may not be able to take the same business expense deductions as you usually would have. Charitable contributions could offset that shortfall. C corp contributions—usually capped at 10% of taxable income—are deductible *up to 25%* through the end of the year. Donations of food inventory may be subject to that more generous deduction limit as well. Weigh the pros and cons carefully and consult your tax advisor before deciding whether you or your business entity should take credit for end-of-year contributions.

#### Are you buying just to donate?

A recent court ruling exposed the dangers of participating in a charitable donation program for the sole purpose of acquiring appreciable inventory to donate. The *case involved a company* that acquired over 170,000 designer eyeglass frames and grouped them into smaller units to resell for donation purposes. The idea was that each buyer could then donate their frames after a minimum one-year holding period to a nonprofit organization and claim a handsome charitable contribution deduction.

The taxpayer who participated (and got flagged) paid \$50,000 for 3,000+ frames and claimed a \$225,596 charitable deduction when donating those same frames one year later. Sounds too good to be true because it is. The IRS has *strict appraisal guidelines* to determine the fair market value of donated property worth more than \$5,000. The taxpayer, in this case, failed that test *on several fronts*. In short, be sure your charitable contributions are just that: charitable. Investments in *conservation easements* to maximize tax deductions are highly scrutinized by the IRS right now for the same reason.

Chances are, you didn't stop giving in 2020. Perhaps, you gave even more. To ensure the IRS rewards your generosity, don't forget to evaluate these changes and opportunities before the end of the year. For questions, feel free to *contact us*.

*Steven Bankler has more than 43 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely-held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations, and estate planning. Visit [www.bankler.com](http://www.bankler.com) for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.*

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