

TAX PLANNING

Charitable Giving And Tax Planning

(The following article is the second in a series of five articles on year-end tax planning prepared for this newspaper by the Committee on Taxation of the Pennsylvania Institute of Certified Public Accountants.)

Few people associate tax planning with charitable giving; however, a little tax planning in connection with charitable contributions can result in tax savings in many cases.

For example, Jones owns stock for which he paid \$600 and which is now worth \$1,000. Jones plans to sell this stock in the near future and also plans to make a contribution to his favorite charity of \$1,000. Jones could save himself as much as \$100 (depending on his tax bracket) by giving the stock rather than cash to the charity. The tax saving results from the fact that while Jones will get a charitable deduction for \$1,000 whether he contributes cash or stock, he can avoid the capital gains tax on the \$400 appreciation in the value of the stock by making a contribution of the stock.

The avoidance of the capital gains tax by making contributions of stock or other items which have appreciated in value is not the only way of saving taxes through contributions of property. Many people have furniture and clothing and other articles lying idle around the house, perhaps in the attic, which would be useful to a charitable organization. If these items were to be contributed to a charity, the donors would be entitled to a charitable deduction of the fair market value of the items thus producing a benefit for both themselves and the charity. It is advisable to request a written receipt and appraisal of the fair market value of the donated property from the charitable organization to which the contribution is made.

Whether contributions are made in cash or property, tax savings can result from grouping contributions in one year rather than having them spread over several years. For instance, Smith, who makes \$7,000 a year and

who has itemized deductions other than charitable contributions of \$600 a year, usually gives \$100 a year to his favorite charity. Under these facts, Smith gets no tax benefit from his charitable contributions because his itemized deductions never exceed the 10% standard deduction. However, if he were to group his charitable contributions by giving \$200 in one year rather than \$100 each year he would get a tax benefit for at least \$100 of his contributions since now his itemized deductions for the year in which he gave the \$200 exceed the 10% standard deduction by \$100. He still is permitted to use the 10% standard deduction in the other year. Of course, if Smith's minimum standard deduction exceeded 10% of his adjusted gross income, the above tax planning should be carried out taking the higher amount into consideration.



GALEN CROUSE, second from left, of Stevens, is presented Southeast District Hay Show Champion trophy by Frank G. Bamer, professor emeritus of agronomy extension at The Pennsylvania State University. Also pictured are Mrs. Crouse and Arnold G. Lueck, associate Lancaster county agent. Bamer organized the Pennsylvania District Hay Show program in 1956. The award was presented at the Pennsylvania Grassland Council meeting on the Penn State campus on Nov. 22.

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Among the key issues expected to be discussed and acted upon by the voting delegates of the member state Farm Bureaus are the federal budget and fiscal policies, international trade, and farm program legislation.

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