Halliday Private Trust
Integrated Trust Solutions for Clients

Trust Connection

A Monthly Report of Trust News and Information

December 2021

Welcome to *Trust Connection*, our monthly newsletter highlighting Trust news and information. Each month we will feature timely articles of interest.

About Us

At Halliday Private Trust, it is our mission to assist our clients in the process of providing solutions, specifically through a wide range of financial advice.

Since 1982, we have utilized a full spectrum of financial services to help our clients navigate every major hurdle in their financial lives. Because we are an independent financial services firm, we utilize an open architecture approach to locating the most suitable investment options for our clients.

Our role is to help clients make smart decisions about their money. We understand that each client has unique needs and requires personalized solutions based on their goals, objectives and concerns.

Giving with Impact

It is important to understand the giving landscape to know how to get the most out of donations. Working hard and sharing success with others is something many naturally enjoy. Making the most of what is given to those in need is a goal of many and being able to coordinate those objectives with the family legacy ties the gift up with a bow. Following are some of the ways to give, certain pitfalls and cautionary tales, as well as strategies to make the most of one's philanthropic endeavors.

The U.S. gives, per capita, more money to charity annually than any other country in the world. About 95 percent of that giving is by individuals through annual giving, their foundations, and their estates.

Unfortunately, Americans often wait until the last minute to make their gifts, and as a result, sometimes do not get the biggest bang for their buck or make mistakes that cost them deductions.

The IRS has the following eight tips to help donors get the most from their charitable gifts:

1. To receive a legitimate tax deduction, the gift must be to a qualified organization. Also, contributions made to specific individuals, political organizations and candidates can not be deducted. See IRS Publication 526, Charitable Contributions, for rules on what constitutes a qualified organization.

2. To itemize charitable contributions a Form 1040 on Schedule A must be completed.

3. If a good or service is received as a benefit as a result of the contribution, such as merchandise, tickets to a ball game or a meal, then only the amount that exceeds the fair market value of the benefit can be deducted.

4. Donations of stock or other non-cash property are usually valued at the fair market value of the property. Clothing and household items must generally be in good used condition or better to be deductible. Special rules apply to vehicle donations.

5. Fair market value is generally the price at which property would change hands between a willing buyer and a willing seller, neither having to buy or sell, and both having reasonable knowledge of all the relevant facts.

6. Regardless of the amount, to deduct a contribution of cash, check, or other monetary gift, one must maintain a bank record, payroll deduction records or a written communication from the organization containing the name of the organization, the date of the contribution and amount of the contribution. For text message donations, a telephone bill will meet the record-keeping requirement if it shows the name of the receiving organization, the date of the contribution, and the amount given.

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A LOCAL TRUST SOLUTION

Call us today at (800) 786-1598 to learn more about working with Halliday Private Trust.

For information and assistance, please feel free to contact one of our Trust Advisors:

- Michael F. Fleming, Esq.
- Sean S. Mohammadi

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7. To claim a deduction for contributions of cash or property equaling $250 or more one must have a bank record, payroll deduction records or a written acknowledgment from the qualified organization showing the amount of the cash and a description of any property contributed, and whether the organization provided any goods or services in exchange for the gift. One document may satisfy both the written communication requirement for monetary gifts and the written acknowledgement requirement for all contributions of $250 or more. If the total deduction for all noncash contributions for the year is more than $500, you must complete and attach IRS Form 8283, Noncash Charitable Contributions, to the return.

8. 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 generally requires an appraisal by a qualified appraiser.

When some of these rules are overlooked, generous people can lose substantial tax advantages. In Alli v. Commissioner, the Alli lost a claimed $499,000 deduction due to lack of substantiation by the taxpayer. In another recent case, a $65 million deduction was disallowed for failure to substantiate the value of the gift. Qualified appraisals are required for large, in-kind gifts.

Large gifts such as these are often made through gifting assets in-kind and/or through planned giving arrangements like Charitable Remainder Trusts and Private foundations or Donor Advised Funds (DAFs). Private foundations and DAFs can be a great alternative for donors with cash and securities to set aside money for charity irrevocably, thus receiving the deduction currently while having time to consider what charities should get the benefit of those funds. Private foundations and DAFs can also be used together in a variety of ways to optimize the impact of giving for both the charities and the family. For example, putting money in an established DAF provides tax benefits to the donor the year the gift is given. They are also used strategically by families in helping build and mentor family values with matching gifts, separate accounts for the children or grandchildren, and for “quiet” gifts when high profile individuals are supporting controversial causes.

Another technique often used to set a fixed gift to a favorite cause is to buy a life insurance policy and name the charity as the beneficiary or even owner and beneficiary, in which case the value of the policy and all future premiums paid by the donor would be tax deductible.

There is seemingly no end to the generous nature of Americans, yet planning and execution is sometimes lacking. When planning for or making substantial charitable gifts, make sure to consult your tax advisor and financial advisor to get the biggest impact for the charity and your family.