Outrigger Foundation (Tax) News Bulletin

By Ron G. Sorrell

Tax Reform Bill

Washington (10-15-85)–The House Ways and Means Committee voted to permanently allow non-itemizing taxpayers to deduct charitable donations, but opted to pay for the idea by cutting the standard deduction most people would get under tax reform.

In its session yesterday, the panel voted 23-13 to permanently allow non-itemizing taxpayers to deduct charitable contributions with a minimum floor of $100 per year.

Charitable Donations: How To Profit From Giving

Now's the time to act if you've been thinking of making a charitable donation to the Outrigger Foundation. If you give before the end of the year, you may gain the largest write-off available under the law. Starting next year the value of deductions for charitable contributions will decline —assuming President Reagan's sweeping new tax reform proposals become law.

Accelerated Giving

Currently, with the top income tax bracket at 50 percent, a donation to your favorite charity (hopefully the Outrigger Foundation) earns you a write-off of up to half of the fair market value of the gift. But next year with the top bracket sliced to 35% for the second half of the year, a similar gift will be worth 7½ percent less. And in 1987, with the top bracket at 35 percent for the whole year, the same gift will be worth only about a third of its market value as a tax deduction.

Important: Charitable donations, unlike most other write-offs can be prepaid. You can make (and deduct) gifts this year to satisfy future commitment. So you can adjust the timing of the gift to coincide with a period when you need the deduction most. For example, to offset a burst of income or to take advantage of higher write-off rates.

Quirk in the proposed new law: Under the proposal, with a 35 percent top income tax bracket and with the upper estate tax limit at 55 percent (50 percent after 1987), some philanthropic members may opt to put off their donations, let their estate make the gift and get the higher estate tax write-off.

Donation Timing

An individual may claim a charitable contribution equal to 50 percent of his/her annual adjusted gross income. If the donation consists of appreciated property, the limit is 30 percent of adjusted gross income.

Corporations, on the other hand, can give up to 10 percent of their net income. So while it's usually more advantageous for a corporation to make the gift (and thus the donated funds avoid double taxation) the limits on the size of donations (10 percent vs. 50 percent) may force a philanthropic business owner to make a personal rather than a business donation. Caution: before that decision is made, consult a tax adviser. The laws are complex and it's easy to stumble.

Best Gifts

The best property to give is appreciated property. You get a deduction for the property's full fair market value at the time of the gift, and you don't pay capital gain tax on the increase in value.

Tax reform trap: Under the Reagan proposal, the increase in value of donated property would be a tax preference item subject to the alternative minimum tax. *This is another reason to give this year,* before the proposal become law.

My favorite is *Trust giving*

Many tax-wise and prudent people who would like to make a donation to our charitable Outrigger Foundation, but are worried about their need for security as they get older, opt for a plan called a "remainder trust." The property in such a trust can be income producing property or even a home.

How it works: Although the donor signs the title over to the Outrigger Foundation, he/she gets to keep all or part of the income the property produces during his/her lifetime. Or, if it's a house/apartment, he/she can remain in it until he and his family die.

Such a trust is usually a good deal for both the donor and the Outrigger Foundation. The donor is able to take a charitable deduction in the year the trust is drafted. The amount of the deduction is determined by the value that remains in the asset. The IRS uses the donor's life expectancy and actuarial tables to determine the value. As a general rule, the older the donor, the larger a percentage of the asset's value can be taken as a deduction.

Remember: Before a decision is made, consult your tax adviser. The laws are complex.

Athlete's Fete

December 31 is the deadline for all committees to turn in their athletic awards and pictures for the Athletic Awards Party to be held in February.

The Public Relations Committee must have all of the results you want printed in a special issue of The Outrigger by Dec. 31 in order to meet printing schedules. If you want your sport to be in print, get the results in to PR as soon as possible. If you need help, ask your representative on the PR Committee or contact Lisa Siggers.