**Top 8 ways to give smarter at the end of 2020, by Russell James, J.D., Ph.D.,CFP®**

1. **Deduct $300 without itemizing:** This year only! You can deduct $300 of charitable gifts without itemizing. The $300 limit is one per tax filing unit. This must be a cash gift paid to an operating nonprofit.

2. **Deduct up to 100% of your income:** This year only! You can deduct up to 100% of your adjusted gross income using charitable gifts of cash. These gifts must go to an operating nonprofit. (So, not to a donor advised fund.)

3. **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 are tax free. (Even distributions of future growth are tax free.) The downside: the money moved into the Roth IRA counts as immediate income.

   However, this year only, up to 100% of income can be offset by charitable deductions. This includes income created by a Roth conversion. If you already have a multi-year charitable plan or pledge, donating it all this year and combining with a Roth conversion might make sense.

4. **Make IRA gifts @ age 70½+** IRA accounts have no required minimum distribution (RMD) in 2020. But those age 70½ or older can still make gifts directly from an IRA to a nonprofit up to $100,000. This gift donates pre-tax dollars. The earned income is never taxed because it goes directly to the nonprofit.

5. **IRA gifts @ age 55 – 70½** IRA withdrawals during this age create no penalties, but are taxable. However, this year cash gifts can be deducted up to 100% of income. If you are already itemizing deductions this can help offset the tax impact from future IRA withdrawal.

6. **Make a charitable swap: Give appreciated assets WITHOUT changing your portfolio:** Donating appreciated assets creates **TWO** tax benefits. The tax deduction is the same size as a gift of cash. (The asset must have been owned for a year or more.) PLUS, you avoid paying any capital gains tax.

   With a charitable swap, you donate old shares of stock and immediately purchase new shares in the same company. Your portfolio doesn't change. But the capital gain is removed. (There is no waiting period. Why? Because this is gain property not loss property. So, the "wash sale" rule doesn't apply.)

7. **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. Right now, these deductions are large because interest rates are low. **Example:** A 55-year-old donor deeds the inheritance rights to $100,000 of farmland before the end of 2020. The donor gets an immediate income tax deduction of $90,371. The donor keeps the right to use the property for the rest of his life. It's deductible because, unlike a will, the donor can't change his mind once the gift is made.

8. **Bunch gifts with a donor advised fund:** The 2018 tax law created much higher standard deductions. Fewer people can use charitable deductions because they aren't itemizing. One way around that is to "bunch" charitable gifts. **Example:** A donor puts 5 years' worth of donations into a donor advised fund. The donor takes a tax deduction for the entire amount in that year. Because the deduction is so large, the donor itemizes in that year. In later years, the donor makes gifts to charities from the fund. This creates no tax deduction. But in those years the donor takes the standard deduction instead of itemizing.

Remember: 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 Weymouth, contact: Ry Southard, Executive Director at 910-692-0524 or rysouthard@weymouthcenter.org.

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