



Tax Planning, Deductions, Peace of Mind: Know Your Bases Are Covered

Presented by:

Jay R. Link, CGPA

Senior Planned Giving Consultant
The Great Commission Foundation

&

Michael J. Occhipinti, MBT

Gift Planning Advisor
Wycliffe Foundation



Tools & Strategies to Benefit You in 2015

1. Direct Gift of Appreciated Assets
2. Zero-Tax Gift & Sale
3. Donor Advised Fund
4. Direct Charitable IRA Rollover
5. Oil, Gas & Mineral Interests
6. Estate Design



Taxes, Taxes, Taxes!!!

- **Income Taxes**
 - Federal: 0% to 39.6%
 - State: 0% to 13.3%
- **Federal Capital Gain Tax**
 - 15% to 20%
- **State Capital Gain Tax**
 - 0% to 13.3%
 - National average—5%
- **Affordable Care Act Tax**
 - 3.8%



Capital Gains Taxes are “Optional”

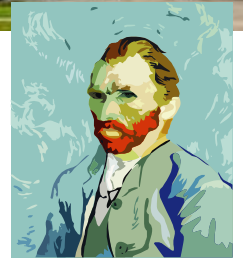
- Pay them,
- Postpone them, or
- Bypass them...
 - Death
 - Charitable Giving—transferring tax dollars to “kingdom” dollars



#1-Direct Gift of Appreciated Assets

What is it? Appreciated assets are those that have increased in value since you acquired them such as:

- Stocks, bonds and mutual funds
- Real property
- Business interests
- Artwork and Collectables



Benefits of Gifting Appreciated Assets

- Experience multiple layers of tax savings.
- Give substantially more from assets vs. cash flow.
- Transfer tax dollars to “kingdom” dollars.



Case Study:

Outright Gift of Asset-“Quintuple Tax Savings”

The tax savings from a gift of an appreciated asset can be significant when compared to a cash contribution... and may be preferable to a cash gift.

Nick and Rachel own an appreciated asset worth \$10,000 with a tax basis of \$4,000. They are in a combined 40% federal and state income tax bracket.

If they were to make a cash gift of \$10,000, they would save approximately \$4,000 in taxes...

If they instead gifted the appreciated asset, they would generate an income tax deduction of \$10,000 and then some...their net tax results would be significantly higher.

Let's see how...

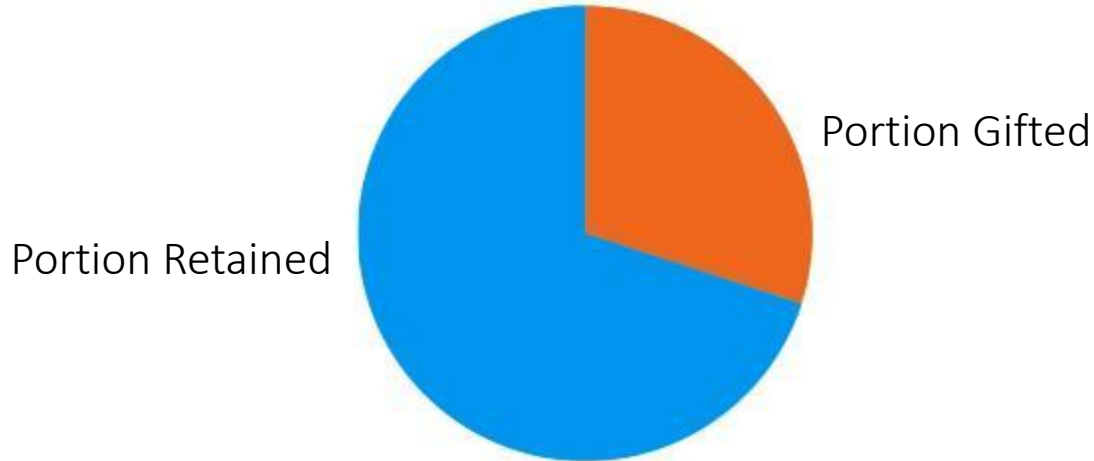
Case Study:

Outright Gift of Asset-“Quintuple Tax Savings”

Appreciated Asset Gift	<u>\$ 10,000</u>	
1. Ordinary Fed Income Taxes Saved (35%)	\$ 3,500	
2. Ordinary State Income Taxes Saved (5%)	\$ 500	
3. Capital Gain Tax Saved (20%)	\$ 1,200	
4. ACA (“ObamaCare” Tax Saved (3.8%)	\$ 228	
5. State Capital Gain Saved (5%)	<u>\$ 300</u>	
Total Tax Savings	<u>\$ 5,728</u>	
Cash Gift Tax Savings:	<u>\$ 4,000</u>	
Difference	<u>\$ 1,728</u>	<i>... 43% increase!</i>

#2 Zero-Tax Gift and Sale

What is it? A portion of appreciated property is gifted and a portion is retained in such a mix that the taxes saved on the charitable deduction offset the capital gain taxes on the sale.



Case Study: Zero-Tax Gift and Sale

Kirk and Cindy own an income property they purchased many years ago. It has appreciated substantially and is now worth \$500,000. Their tax basis after cost + improvements – depreciation is \$100,000.

They are tired of being landlords and have had several offers to purchase the property; however, they are balking at the high capital gains taxes...in their case \$100,000!

They know they cannot keep all of the sales proceeds and would like to find a way to both receive some cash from the sale and make a gift to the Lord's work.



Case Study: Zero-Tax Gift and Sale

Outright Sale:

Fair Market Value \$500,000

Cost (tax) Basis \$100,000

Capital Gains \$400,000

Tax at 25% \$100,000

Net to Kirk and Cindy \$400,000

Net to Charity \$ 0



← *Loss of capital !!!*

Case Study: Zero-Tax Gift and Sale

Zero-Tax Solution: *Keep a portion, gift a portion...*



**Sale
Portion**
\$311,000



Capital Gains Tax
@ 25%
\$62,000

**Gift
Portion**
\$189,000



Income Tax Savings
@ 33%
\$62,000

Case Study: Zero-Tax Gift and Sale

*Income tax savings
offset
capital gain taxes*



**Sale
Portion**
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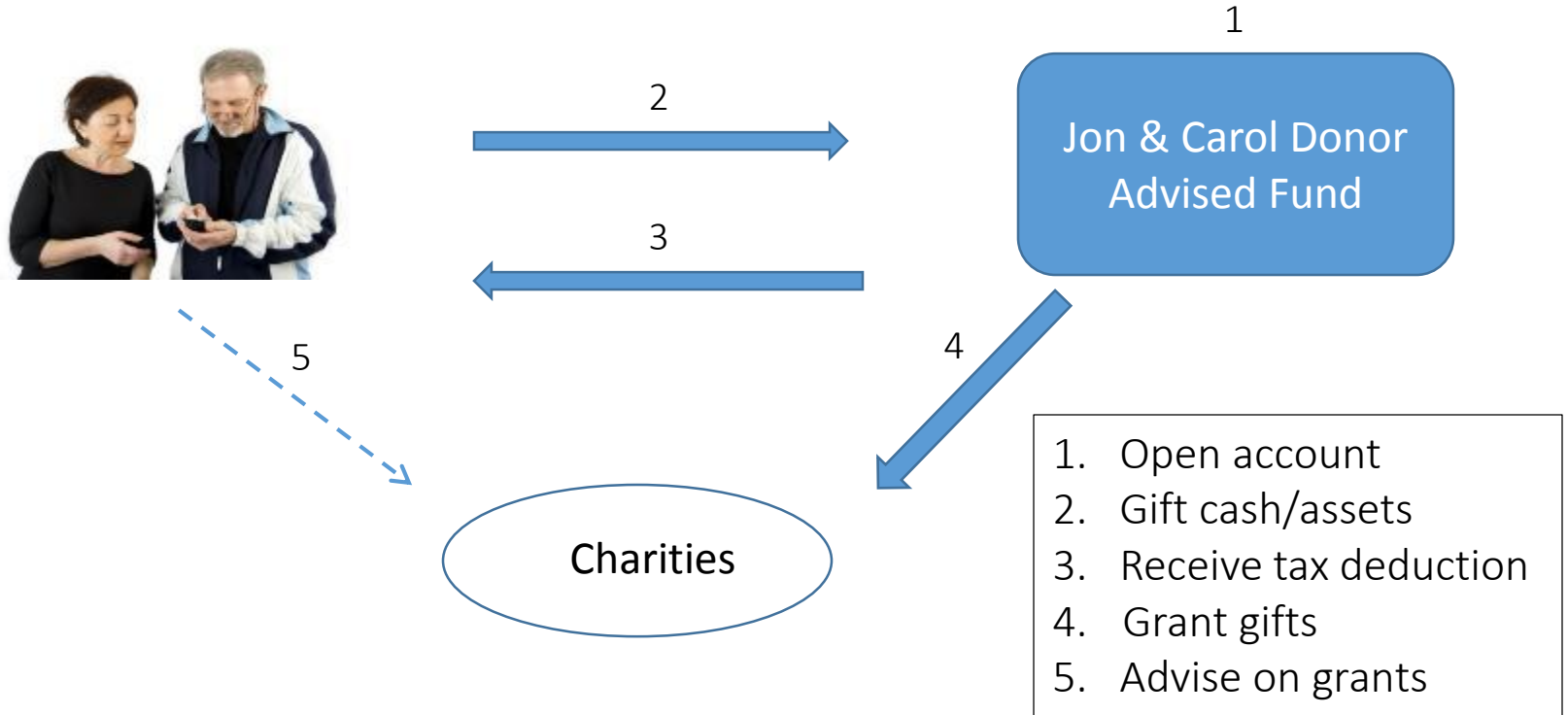
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To DAF for
charities

#3-Donor Advised Fund (DAF)

What is it? A charitable giving fund that is separately administered by a public non-profit charity into which donors make irrevocable, tax-deductible contributions and from which they make grants to various charities.

- Existed since the 1930s.
- Similar to a private foundation without the regulations.
- Gaining in popularity.
 - Nearly 202,000 DAFs in 2012 (up 26% from 2007)
 - Over \$45.3B invested in 2012 (up 42% from 2007)
 - Nearly \$14B contributed in 2012 (up 39% from 2007)

How a DAF Works



Ways to Benefit from a DAF

- **Tax-wise Giving**—receive a tax deduction in the year you make gift(s) to fund; recommend grants at your leisure.
- **Anonymous Giving**—recommend grants without being identified as the donor, if that is your preference.
- **Family Giving** —include children and grandchildren when recommending grants so as to nurture their giving heart.

DAF—Case Study

Joe and Dawn Green

Worked in real estate and acquired several rental properties over the years.

Would like to donate one of the properties to support ministries that evangelize the lost.

Would like to engage their children in their charitable endeavors.

Would like to avoid the 30% capital gains tax.

What can they do?



DAF—Case Study

Solution

Established the **“Green Family Fund”** using a DAF and donated the property to the fund.

This gave them an income tax deduction and bypassed federal and state capital gains taxes.

They, along with their children, did research on their favorite ministries that evangelized the lost.

Once property was sold, they convened a “family board meeting” where they reviewed the ministries researched, voted on those most effective, and recommended grants to those from their DAF.



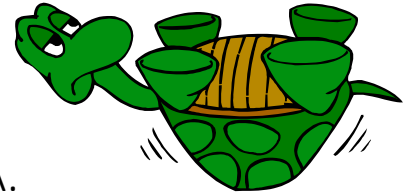
A DAF may be for you if you



- Desire the benefits of a private foundation without all the red tape.
- Need time to decide which ministries to support but want a tax deduction now.
- Anticipate making both cash and non-cash gifts.
- Want freedom to change beneficiaries.
- Prefer your giving to be anonymous.
- See the value of making your giving a “family affair”.

#4-IRA Charitable Rollover

- **What is it?** A contribution made by the custodian or trustee of your IRA directly to a qualified charity of your choice. It is subject to the following stipulations:
 - Traditional IRAs only (no Roth IRAs).
 - Must be at least age 70 ½.
 - Up to \$100,000 per year.
 - Effective through 12/31/2015. (if approved for 2015)
 - 401(k) and 403(b) do not qualify. Must first roll into IRA.



IRA Charitable Rollover

Features and Benefits

- Satisfies Required Minimum Distribution (RMD) rules.
- Tax Positive—excluded from income and as a tax deduction.
 - May avoid surtaxes (Medicare premiums, tax on Social Security).
 - May avoid limits on charitable and other deductions.
 - May prevent a boost into higher tax bracket.
- Easy to do--just notify your custodian.

An IRA Rollover may be for you if you

- Have a traditional IRA.
- Are required to take the RMD but don't need the income.
- Give more than 50% of your AGI.
- Want to make a lifetime gift from a large IRA balance.
- Intend to leave the charity as beneficiary of your IRA.
- Do not itemize and therefore don't receive a tax benefit for your charitable contributions.

5 Gifts of Oil, Gas, and Mineral Rights

One of the biggest challenges of owning land rich in oil, gas or mineral rights is the income taxes that come with production.



Gifts of Oil, Gas and Mineral Rights

Here are four charitable tax-wise gifting strategies to manage your income in a tax-favorable way and support the work of God's Kingdom:

- Gift Undivided Interest in a Portion of the Land
- Gift of Royalties
- Charitable Remainder Trust
- Life Estate

Case Study: Gifts of Oil, Gas and Mineral Rights

John Jones inherited several hundred acres of land his great-great grandfather homesteaded. Several years ago oil and gas were discovered under the land providing the Jones with more income than they ever dreamed of. Feeling led by the Holy Spirit to generously share this blessing with various ministries, they give away well over the annual 50% AGI limitation on charitable gifts; however, they still pay more in taxes than they'd like. How can they continue to give and be more *tax-wise* in doing so?

Irrevocable Assignment of Royalty Income into a DAF

- Shifts income off of their tax return
- No charitable deduction and no form 8283 filing requirements



#6 Estate Design Service



- This is our premier service offered to our ministry partners.
- We will construct for you a blueprint you can take to your attorney from which they can build your estate plan.
- This is our way of saying thanks for your partnership.
- Your information is kept confidential, and there is never any cost or obligation to give.
- You may have multiple charitable interests. We let the Holy Spirit guide you in your choices.

Five Biblical Principles of Estate Transfer

1. God is the owner of all.

Psalm 24:1

2. We are his stewards and it is required that we be found faithful.

I Corinthians 4:2

3. The priority of all estate transfer is dependency.

I Timothy 5:8

4. The motivation for all estate transfer must be love.

I John 3:17,18

5. People are always more important than dollars.

Romans 14:9

The Estate Service is Comprehensive. We Will:

- Enhance your appreciation of biblical stewardship
- Gather information on your assets and distribution wishes
- Clarify the significance of how to title assets
- Distinguish between transfers during life and at death
- Explain the importance of having a Will
- Explore the merits of different types of Trusts
- Provide guidance on choosing a personal representative, trustee, and powers of attorney for business affairs/healthcare

Benefits of Including Us on Your Team

- Experience no pressure, no cost and no hidden agenda.
- Receive help from friends you know and trust.
- Receive help interacting with your advisers.
- Understand the full array of your options.
- Benefit from wise stewardship.
- Save Taxes



May we be of service to you?

Please feel free to contact Michael or Jay. We look forward to the opportunity to serve you and pledge our finest efforts and complete confidentiality.

Michael J. Occhipinti, MBT

Gift Planning Advisor

(800) 681-5103

michael_occhipinti@wycliffe.org

www.wycliffefoundation.org



Jay R. Link, CGPA

Senior Planned Giving Consultant

(616) 836-8120

jlink@gcfccc.org

www.gcfccc.org



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Questions?