



CHARITABLE GIVING TO GRACE BIBLE CHURCH

Tax Benefits

When you make contributions to qualified charitable organizations, you are generally entitled to a charitable contribution deduction on your personal income tax return if you itemize deductions on Schedule A Form 1040. The amount of the deduction depends on:

- The type of property donated;
- Your adjusted gross income (AGI); and
- The type of charitable organization to which the gift is made.

If your charitable contributions for the tax year exceed the AGI limits, the excess can generally be carried over for up to five years on your personal income tax return.

For more details and information, consult your tax advisor and review the Internal Revenue Code and other IRS materials such as IRS Publication 526, Charitable Contributions.

Note: Grace Bible Church is a 501(c)(3) qualified public charity.

Types of Charitable Contributions Accepted by Grace Bible Church

- Cash
- Securities – publicly traded securities
- Qualified Charitable Distribution from IRAs – including cash and securities
- Life insurance beneficiary designations
- IRA beneficiary designations
- Charitable trusts
- Estate bequests

For more details on AGI limits and charitable contribution deductible amounts, you should contact your tax advisor.

Qualified Charitable Distribution from IRAs

A Qualified Charitable Distribution (QCD) is a tool that you can use to make a charitable contribution to Grace Bible Church. It is a charitable gift made **directly** by the administrator of your IRA to a qualified public charity. While the gift will not qualify for a charitable contribution deduction on your Schedule A Form 1040, the IRA distribution will not be considered taxable income either. The amount transferred to the charity is deducted from your taxable income, even if you would not be itemizing deductions.

Benefits of a Qualified Charitable Distribution (QCD):

- A QCD from a traditional IRA (including an inherited IRA) uses pre-tax dollars.
- A QCD can be applied to IRA required minimum distributions (RMDs), if applicable.
- Generally, a QCD is excluded from taxable income.
 - If you do not itemize deductions on Schedule A Form 1040 because you do not exceed the standard deduction amount, this strategy may be beneficial to reduce overall tax liability.
- Generally, a QCD is excluded from AGI.
 - Reducing your AGI may help lower your overall personal income tax liability due to potential deduction limitations or surtax resulting from a higher AGI. In addition, this strategy may avoid certain other costs imposed on individuals based upon the amount of AGI (such as the income related monthly adjustment amount which is a surcharge on Medicare premiums).

Basic requirements and limitations for a QCD include:

- You must be at least 70 ½ years of age at the time of the distribution.
- The distribution must be from a ROTH or Traditional IRA.
- The distribution must be made directly from the IRA administrator to a qualifying charity such as Grace Bible Church.
- QCDs are limited to \$100,000 per individual per year (a spouse who qualifies may give a similar amount from his or her IRA).
- A QCD is limited to the amount of IRA distribution that would otherwise be included in income.
- You cannot receive any benefits from the charity because of the gift.

Please consult your tax advisor for more information regarding the benefits and requirements for IRA QCDs.

Publicly Traded Securities and Bonds

Appreciated Assets

If you give gifts of appreciated publicly traded securities held more than one year directly to a qualified charity, you may receive a greater tax benefit – as opposed to selling the securities and donating the

cash proceeds. Appreciated securities are ones in which your tax basis is less than the current fair market value of the securities. You avoid incurring capital gains on the sale of the security since the security is not sold by you. In addition, if you itemize deductions, you generally qualify for a charitable contribution deduction equal to the securities' fair market value up to 30% of AGI for gifts to public charities such as Grace Bible Church.

Assets with Tax Losses

From a tax standpoint, you are generally better off selling publicly traded securities that have a tax loss if the securities are held more than 30 days – as opposed to gifting the securities directly to the qualified charity. Tax loss securities are ones in which your tax basis is greater than the current fair market value of the securities. You can use a capital loss from the sale of the securities to offset other capital gains that you incurred during the tax year. A net capital loss of up to \$3,000 can offset ordinary income. The proceeds from the sale can be donated in cash to a qualified charity. If you itemize deductions, you generally qualify for a charitable deduction equal to the cash donation up to 60% of AGI.

Bunching Charitable Contributions

What is “Bunching”

Bunching is combining your charitable contributions in tax year one and not making any charitable contributions in tax year two (or vice versa). The goal is usually to reduce taxes by getting over or under different income or deduction thresholds.

Example:

John and Joan file married filing joint. For 2023 and 2024 (projected), the standard deduction is \$27,700 and \$29,900 (respectively). They typically make \$15,000 in charitable contributions per year. Their only other itemized deduction is the state and local income tax deduction of \$10,000.

- If John and Joan make a \$15,000 charitable contribution in year one and a \$15,000 charitable contribution in year two, they would claim the standard deduction for both years for a total of \$57,600 (\$27,700 + \$29,900). They claim the standard deduction because each year this deduction exceeds their itemized deduction amounts of \$25,000 per year (\$15,000 + \$10,000).
- If John and Joan make a \$30,000 charitable contribution in year one and \$0 charitable contribution in year two, they would itemize deductions for year one for \$40,000 (\$30,000 + \$10,000) and claim the standard deduction of \$29,900 for year two for a total of \$69,900 (\$40,000 + \$29,900). By bunching, they are able to reduce their taxable income by an additional \$12,300 for the two-year period.

Timing of “Bunching”

How to determine which year to bunch your charitable contributions? This strategy can be impactful for you if you are having a high-income year or preparing for retirement, since you can maximize your tax benefits by taking the deduction in the year you will have higher overall taxable income.

Example:

John is working full time in 2023 but will retire by the end of the year. 2024 income is projected to be significantly less than 2023 income. John and Joan should consider “bunching” their charitable contributions in 2023 versus 2024 because their income tax savings will be greater in 2023 due to being in a higher income tax bracket for 2023.

Procedures for Publicly Traded Securities Contributions to Grace Bible Church

- 1) Notify your broker/financial advisor that you wish to transfer the securities to Grace Bible Church. You will transfer IN KIND (this means you do not sell, but rather give in their current form) the securities you identify, directly from your account to the account in the name of Grace Bible Church. Please specify the following contribution account(s): ministry, building, missions, adoption/foster care, Celebrate Recovery, community care, or any special offering active at the time as determined by the church leadership.
- 2) Grace has established a brokerage account with Charles Schwab through which your gift will be received.
- 3) Your broker’s office will want to know the following information in order to process your request:
 - a) **Charles Schwab DTC # is 0164 (this allows your broker to identify Charles Schwab in their system in order to complete electronic processing).**
 - b) **Transferring to: Grace Bible Church of Virginia Beach, Matt Breitenberg Treasurer.**
 - c) **Transfer to Our Charles Schwab Account # 8431-8442.**
- 4) On the date of the transfer, **contact Leigh Lazos** at the church office to inform her of your incoming gift, as this will ensure that your tax receipt accurately reflects the value of gifted securities.
- 5) After the gift is completed, Grace will sell the securities. You will see the value of the securities on your quarterly giving report. **NOTE: FOR TAX PURPOSES**, you should deduct the value of the securities on the day you make the donation gift. This may differ from the amount on your GBC Giving Statement.

Feel free to contact the church financial office at 757-496-5700, ext 107 if you would like assistance.

The information outlined in this document, including information regarding specific limitations, holding periods, documentation requirements, etc. are current as of the date of this document. Such strategies and information may be affected by future legislation and IRS guidance; therefore, readers should contact their tax advisor or attorney prior to depending on the information included in this document.

This document is for informational purposes only and is not intended as specific recommendations of legal, tax or investment advice. Grace Bible Church and its employees cannot provide tax, legal or investment advice; before acting upon any information herein, individuals should consult a qualified tax advisor, attorney and/or investment advisor regarding their specific circumstances.

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