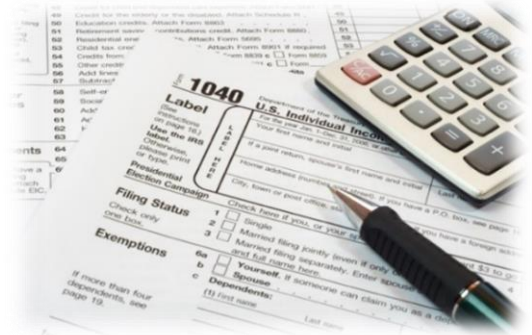


Structuring Year-end 2022 Donations: Options to Maximize your Tax Advantages

Eligibility for Charitable Tax Deductions

In order to deduct charitable contributions on your federal 1040 tax return, schedule A itemization is required. For 2022 the amount of the standard deduction (which is the same for all taxpayers) may affect your ability to itemize:

- Single taxpayers and married individuals filing separately: \$12,950
- Married, filing jointly: \$25,900



In 2022 the amount of cash donations which may be itemized is up to 60 percent of adjusted gross income. For more information refer to IRS Publication 526.

Gifts of Appreciated Assets

Giving appreciated assets, such as publicly traded securities owned for at least one year, can result in significant tax benefits. Donors are entitled to a charitable deduction equal to the full fair market value of the securities (e.g. stocks, bonds, mutual funds) and there is no tax on the gain. For details, go to: <https://legacy.usafa.org/what-you-can-give/stocks-bonds> Donations of real estate, although subject to thorough due-diligence, also benefit from gain exclusion.

Qualified Charitable Distributions from IRAs

If you own an Individual Retirement Account (IRA) and are over the age of 70½, you may make a qualified charitable distribution (QCD) to the Air Force Academy Foundation from a standard IRA. At age 72, when required minimum distributions (RMD) must begin, there are advantages to arrange a direct QCD transfer. The IRA administrator can send to the Foundation all or a portion of the RMD (up to \$100,000). The amount will not be included in your adjusted gross income. This gift opportunity may be particularly appealing if the standard deduction threshold precludes you from itemizing deductions, including for charitable gifts. For more information go to:

https://legacy.usafa.org/org_files/1652/pdf/IRA%20gifts%20in%202022.pdf

Donor Advised Funds

Donor-advised funds (DAF) have become an increasingly popular tactic in financial management and philanthropy. You simply give an amount to a DAF, which are offered by various investment firms and community foundations, and then request distributions to the charities of your choice, at the time most advantageous for them. A charitable tax deduction is available in the year of the gift to the DAF. The Air Force Academy Foundation is a willing recipient of DAF distributions, and more information is at:

<https://legacy.usafa.org/what-you-can-give/donor-advised-fund>

Bunching

Due to the tax law that went into effect beginning in 2018, many donors are no longer able to itemize deductions. If you desire to qualify for a Schedule A deduction, consider the strategic “bunching” of charitable gifts. Combined with deductions for state and local taxes, mortgage interest, etc., making gifts for multiple years in one tax year can enable itemizing all deductions, bringing you tax benefits that may have been absent without “bunching.”

Gifts that Give You Income for Life

Another tax-wise alternative is to use your appreciated assets to fund life income gifts, such as gift annuities or charitable remainder trusts. This kind of gift allows you to avoid tax on some or all of your capital gain, and you will receive income for life. A current income tax deduction may be available for the year you establish the life income plan. Several options are available, depending on your circumstances, and the Air Force Academy Foundation can provide illustrations comparing them and showing the various benefits. For more information go to: <https://legacy.usafa.org/how-you-can-give/giving-and-generating-income>

Gifts of Beneficiary Designations

An attractive option is to designate the Air Force Academy Foundation as the future recipient of some or all of what’s left in various accounts you currently hold. Some examples include, but are not limited to:

- Retirement Plans, such as an IRA, 401(k), 403(b), or other qualified plan
- Savings and Checking Accounts
- Brokerage Accounts
- Mutual Funds
- Donor Advised Funds
- Owned Life Insurance Policies

In addition to the satisfaction of making a future gift to help the Air Force Academy, your benefits may include estate tax savings.

Drafted by: Dale Zschoche P’10, Air Force Academy Foundation, Executive Director of Gift Planning

Disclaimers: The above information pertains to calendar year 2022; tax laws may change in future years. The Air Force Academy Foundation is not engaged in rendering legal or tax advisory service. For advice or assistance in specific cases, the services of an attorney and/or other professional advisors should be obtained.

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