



By Des Worthington

Tax smart ways to give and strengthen our quality of life

There are so many generous people living in northern Michigan! During the last 20 years of working as a local fundraising professional, I've had the opportunity to meet with hundreds of people in the region, all wanting to support our wonderful quality of life in various ways. I've been so moved by the generous spirit and surprised at the number of people who have not heard of some of the tax benefits they can receive while maximizing their gifts to their favorite charities.

There are two widespread ways to give and save on taxes: 1) giving appreciated securities or 2) making a qualified charitable distribution from retirement funds.

Chris Morse, Director of Advisory & Tax Services at Rehmann, who lives in Traverse City, provides some guidance.

1. Giving appreciated securities

If you have invested in mutual funds, stocks, or bonds, you may find it useful to donate appreciated securities instead of cash. Why? Donating the stock to your favorite charity means you pay no capital gains tax. The amount that would have gone to the IRS as taxes (up to 23.8%) is used to further your favorite charity's mission! Another benefit is that you receive the full fair market value of the donated stock at the time it transfers to the charity's account. That means a bigger tax deduction.

Important to remember! Make sure your broker doesn't sell the security. Rather, transfer the securities to the charity's brokerage account. Otherwise, you won't get the benefits of giving securities.



Chris Morse
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2. Qualified Charitable Distributions

Starting at age 73, the IRS mandates that IRA owners take annual income withdrawals known as Required Minimum Distributions (RMDs). There are times when folks don't want to take the distribution. They may already have sufficient income, or taking the distribution would push them into a higher tax bracket, which may adversely affect their Social Security payments and Medicare benefits. The distribution goes directly from the investment firm to the charity. Because the money doesn't pass through the donor's accounts, they don't report the qualified charitable distribution as income, thus avoiding federal and Michigan income taxes.

Important to remember! You can make qualified charitable distributions if you are 70 ½ or older. If you wish to make gifts or pledge payments from your retirement account, do NOT take the money into your own account. Make sure the firm that holds the retirement funds sends the money directly to your favorite charity! AND make sure the firm includes your name as the donor in the memo field of the check.

Timing is also important. Sometimes, it can take weeks for security transfers or qualified charitable distributions to occur. It will be important for the charity to receive your gift by December 31, 2023, so you can receive the tax savings this year.

Strong charitable giving in northern Michigan has contributed greatly to our amazing quality of life. We enjoy wonderful arts, education, natural beauty and quality healthcare services. We have many reasons to be grateful. I hope you will take the opportunity to share your gratitude with the non-profit organizations who help make northern Michigan special.

About the authors:

Des Worthington has spent 30 years working with charitably-minded people and organizations to achieve great things. She has led several local campaigns for both start-up and large charities, resulting in preserving land for future generations, building medical facilities, and sustaining important community programs. She is currently a fundraising consultant and owns Worthington Fundraising Solutions.

Chris Morse began his career in public accounting in 1986. His experience includes providing accounting, tax, financial planning, and business consulting services to family-owned and closely-held businesses, and publicly-held companies. He currently serves as the Director of Advisory and Tax Services for Rehmann.