

Year End Tax Planning Ideas

As the end of the year rapidly approaches, there are several tax planning strategies that may be unique to 2017 – that you may be able to benefit from! Consider:

Donating Appreciated Stock

By donating stock that has appreciated in value since you acquired it, you not only get a tax deduction for the full market value at the time of donation, but you also avoid any income tax on that increased value. For example, if you gave the church stock that is now worth \$1,500 that you bought for \$1,000, you could get a tax deduction for charitable contributions of \$1,500 if you itemize deductions. And you would pay no income tax on that \$500 gain on value. If you, instead, sold the stock, then gave the proceeds to the church, you would still get the \$1,500 charitable deduction, but you would also have to pay income taxes on the \$500 gain. On top of that, you would likely pay some commission upon sale of the stock which you would avoid by donating the stock directly to the church.

This provision has been part of the tax code for years; so what makes 2017 “unique” in that regard? The fact that the stock market is at all-time record highs means more stockholders have bigger gains. Contributing stock now 1) requires no cash outlay on your part, 2) saves taxes and commissions, and 3) locks in those record high market gains.

If you are interested in donating stock, please contact Brenda Jacob (bkjacob1@hotmail.com) at the church by December 18 in order to ensure that the donation gets recorded in 2017.

Proposed Tax Law Changes

While not finalized yet, all indications are that changes to the tax code could make certain deductions (including charitable contributions) worth more in 2017 than in 2018 for several reasons:

- Tax rates for most individuals are expected to decline in 2018, meaning that any deductions that you’re able to take in 2017 could reduce your taxes more this year than next.
- The standard deduction is expected to increase (maybe double) for individual filers. Many filers will no longer be itemizing deductions in 2018, meaning that charitable contributions would no longer reduce their taxes for those filers.
- Other items (e.g., state income taxes) are no longer expected to be deductible, so that even more filers would be likely to use the higher standard deduction and, again, charitable contributions would no longer reduce their taxes for those filers.

These factors may or may not be applicable to you – and some of them are only proposed at this time. You should consult your tax advisor to determine how (or if) you may be able to take advantage of any of them. If they do potentially provide some benefit to you, keep in mind that it would apply no matter what the purpose of your gift was – completing your 2017 pledge, a special yearend gift, or even prepaying part of your 2018 pledge. Also, make sure to complete your gift no later than December 31st (which is a Sunday this year!) in order to get any tax advantages in 2017.