THE 2011 GIVING GUIDE

Tax-Wise Giving

Giving to causes that mean the most to you brings the satisfaction of making a difference. Fulfilling your philanthropic objectives can also go hand-in-hand with maximizing income, estate and capital gains tax savings.

Recently – through the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 – a few key changes were made related to the financial benefits of charitable giving. By staying informed on these legislative changes, you can ensure that your philanthropic dollars are put to work most effectively for you, your family and your community.

Charitable IRA Rollover

The Charitable IRA Rollover has been extended through December 31, 2011. This useful provision allows individuals to support the charitable causes closest to their hearts without increasing income tax levels or adversely affecting governmental aid.

Donors age 70 ½ or older can order a direct distribution, or "rollover," of up to $100,000 from a traditional IRA to one or more nonprofit organizations of their choice. This distribution counts toward their IRA's required minimum distribution and is not considered income.

Distributions can be directed to any charity of your choice, including churches, hospitals, universities, schools or service providers like food banks, shelters and medical clinics.

Another option is making a direct distribution from your IRA to a community-wide philanthropic organization such as the Orange County Community Foundation or United Way. While the IRA rollover cannot be utilized to make disbursements to a donor-advised fund, it can support the community through a variety of funds and grant programs administered by these organizations including:

- ◆ Endowment funds addressing a variety of community needs
- ◆ Grants by the organization to local charities
- ◆ Scholarship funds, which make a lasting impact on the lives of deserving students
- ◆ General operating funds, which allow these organizations to continue providing services and expertise to our community

Estate Tax Provisions Through 2012

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act also makes 2011 and 2012 opportune years for planning a legacy and making inter-generational transfers of wealth.

Wealth transfer tax exemptions are at their highest in years, with individuals able to pass up to $5 million onto their children or grandchildren without paying taxes on the amount. This means that couples can pass on up to $10 million free of estate tax. A surviving spouse is given tax-free benefits on their own estate plus any benefits not utilized by their spouse, for an untaxed amount of up to $10 million. These provisions apply for at least the next two years.

Meanwhile, transfer taxes rates are at their lowest, with a maximum rate of 35% for gift and estate taxes (which will apply to the portion of an estate remaining after the initial exclusion of $5 million per individual or $10 million per couple). And generation skipping transfer taxes – for estates passed down two generations – are set at a flat rate of 35%.

Another important provision to keep in mind is the return of the stepped-up basis for inherited property, which sets taxes on the sale of inherited real estate and other property at the current appraised market value at the time of transfer rather than the purchase price.

With this increased potential for effective wealth transfer, individuals and their heirs can now make an even bigger impact by investing in their community.

Enhanced Deductions for Corporations

The current legislation has also extended opportunities for enhanced charitable deductions for corporations. The following charitable contributions made by companies are eligible for enhanced deductions:

- ◆ Contributions of food inventory
- ◆ Contributions of computer equipment for educational purposes
- ◆ Contributions by C corporations of books to public schools

Before transferring IRA assets to an organization serving your favorite cause, leaving a legacy or utilizing tax benefits through charitable donations, please contact your professional advisor.

To learn how the Orange County Community Foundation can help you achieve your philanthropic goals, visit www.oc-cf.org or call (949) 553-4202.

TAX TIP

"Qualifying donors love the idea of giving to charities from their IRAs. The donor never pays income tax on the gifted funds and the charity receives the gift income-tax free. Here's a tip: Be sure to have the IRA custodian or trustee make the check payable directly to the charity. If the IRA funds are first distributed to the IRA owner, the income tax free benefit is lost. Furthermore, the IRS has explained that it is permissible for an IRA owner to use a direct distribution from the IRA to a charity to satisfy the owner's personal pledge to that charity."

Timothy J. Kay
Partner
Snell & Wilmer L.L.P.

Ten Keys to Excellence in Giving

> "To give away money is an easy matter and in any man's power. But to decide to whom to give it and how much and when, for what purpose and how, is neither in every man's power nor an easy matter. Hence, it is that such excellence is rare, praiseworthy and noble."
> - Aristotle

For anyone who has tried to give and give well, this wisdom from Aristotle rings true. How do you make the right choices with your charitable giving, especially during these extraordinarily challenging times? Here's how you can maximize your charitable investments and increase both their impact and the reward you experience from your giving:

1. **Reflect your family's values, interests and passions.** As with any venture, you will find it most rewarding to give your time and energy to the issues you care about most.
2. **Focus your giving.** It is difficult to be strategic if you spread yourself too thin. Choose an area of interest on which to concentrate your giving.
3. **Build on the experience and knowledge of others.** Get to know people interested in similar topics and tap into their knowledge. The best of philanthropy often represents a collegial approach to resolving problems.
4. **Get out there.** Schedule a site visit to local nonprofit organizations of interest to see their programs in action. Take a tour, ask questions and meet their leaders.
5. **Leverage your giving.** No single giving source can fully underwrite a successful approach to a critical issue. Collaborate with other charitable investors to enhance your impact.
6. **Be flexible.** Look for the gaps, issues and opportunities where your charitable contribution can make a difference. Listen and keep an open mind.
7. **Take risks.** Think big and don't be afraid to fail. Experiment with different philanthropic investments. Just like in business, risks can yield great returns.
8. **Be results-oriented.** Think about what you hope to accomplish with your giving and set specific goals and objectives. Decide how you will measure your success.
9. **Partner with nonprofits.** If a community leader or project is worth your investment, think about how you can help support their long-term sustainability.
10. **Learn to say no**. Give generously and strategically, but if you're unsure or uncomfortable, don't be afraid to say no. You can also ask for more information before making your decision.

Orange County Community Foundation
www.oc-cf.org