An Update

Selecting Assets for Charitable Gifts – Outright and in Trust, was slightly affected by tax changes that took effect in 2013. Reduced §7520 rates, used to calculate charitable deductions for split-interest gifts, also impact charitable deductions. The examples on pages 5 and 9 use a 4% §7520 rate, when in recent years, the rate has been closer to 2%. For the example of gifts of remainder interests in family trusts, the lower rate yields a higher deduction. Using a 2% §7520 rate, the remainder interest is $568,190, based on a remainder factor of .56819 from Table S. In the example of gifts of income interests in trusts, the value of the income beneficiary's life estate is $477,720 (.47772 life estate factor at 2% §7520 rate), making a deductible gift of a one-half interest $238,860. On page 9, the charitable deduction for a 74-year-old donor who transfers $1 million of stock to a 6% unitrust is $531,410.

Pages 4 and 8 discuss tax incentives for contributing appreciated assets to charity. The American Taxpayer Relief Act of 2012 introduced three more incentives:

■ Individuals with AGI in excess of $200,000 ($250,000 for joint filers) are exposed to a 3.8% net-investment income tax;

■ A top income tax bracket of 39.6% now means that a donor who gives $10,000 saves $3,960;

■ Taxpayers in the 39.6% bracket are taxed at 20% on long-term capital gains.

Although individuals are subject to cutbacks in itemized deductions when AGI exceeds $258,250 ($309,900 for joint filers), in most cases donors will have sufficient fixed expenses (state and local income tax, real estate taxes, mortgage interest and miscellaneous itemized deductions) to absorb any cutbacks without affecting charitable deductions.

American Institute for Cancer Research