

# Applied Insights: Tax Economics

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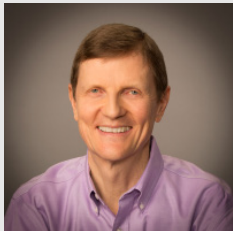
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# Case Study:

# Charitable Donations



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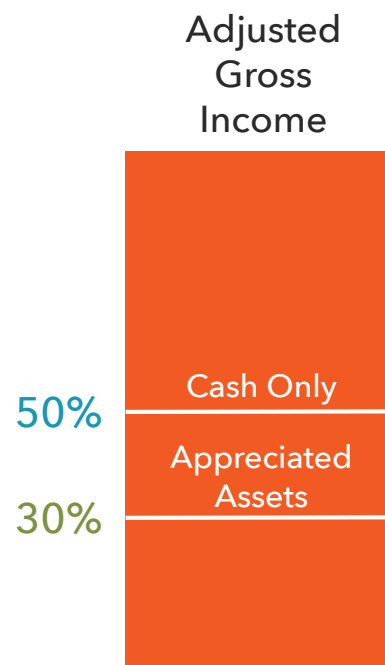
Chief Tax Economist &  
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# Optimizing Charitable Donations

Client wants to make charitable donations\* but risks limits on adjusted gross income (AGI)

- 50% of AGI for cash
- 30% of AGI for appreciated assets



\*Assumes public foundation.

## Problem No. 1 Facing Advisor

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- Increase income to allow more charitable deductions?
- Avoid focus on monetizing charitable deduction
  - At 25% tax rate, \$100 of additional income costs \$25
  - Deduction may be only \$30

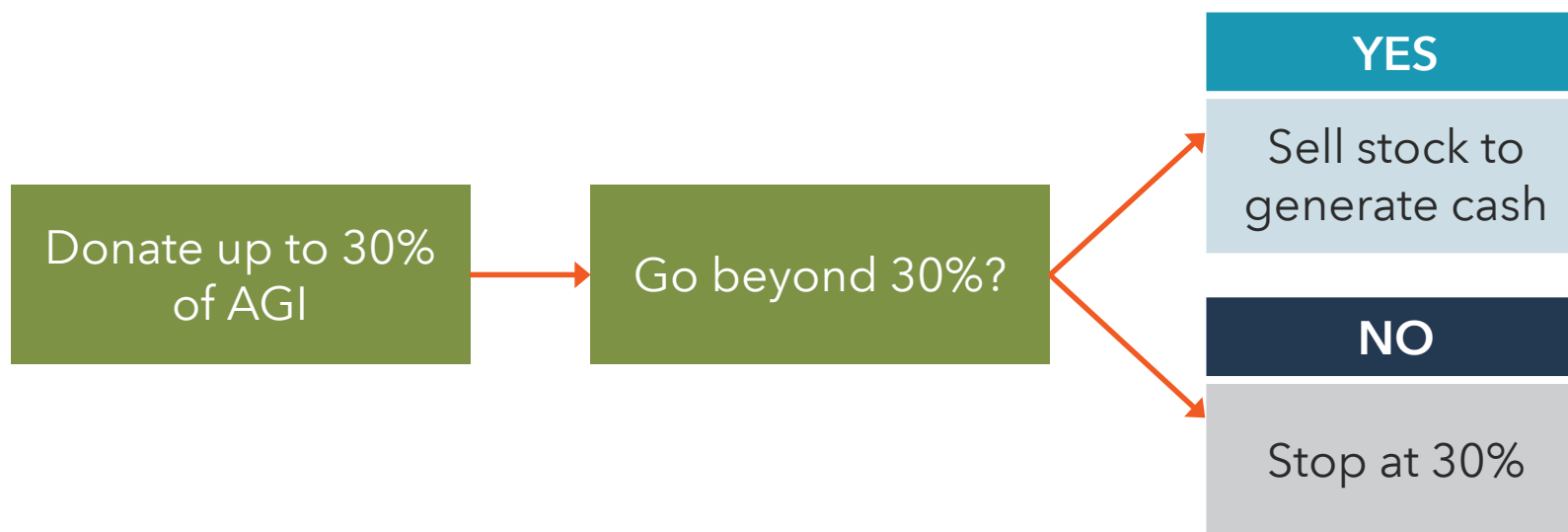
## Problem No. 2 Facing Advisor

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- How to optimize charitable gifting?
- Factors that drive analysis
  - Total gifting plan
  - Comparing choices

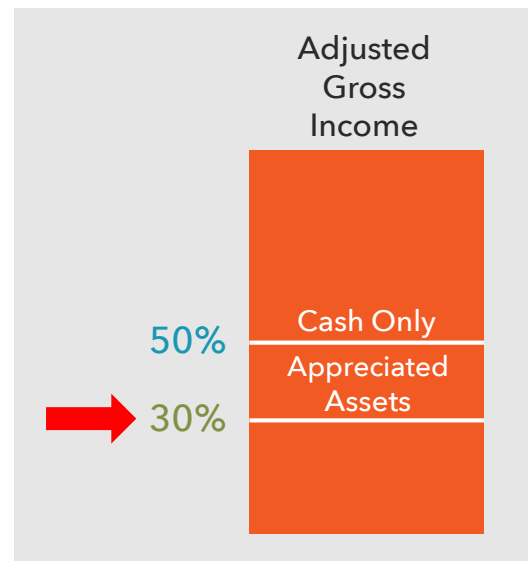
## Choices Available

- Donate appreciated assets only up to **30%** AGI limit
- Sell additional assets and donate cash in order to go beyond **30%** limit
- Either public charity (donor-advised fund) or private charity



# Solutions

- Complexity of AGI ceilings restricts choices
  - 50% property (cash) counts first
  - Only then does 30% property count
- Even without AGI restriction, tax economics show it is a wash between selling additional assets and donating cash
- Tax rates matter
  - Long gain rate
  - Ordinary income rate



## Lesson Learned

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Run the tax economics and do the actual math before making a decision



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# Thank you

Send questions or comments to [blog@aperiogroup.com](mailto:blog@aperiogroup.com).

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