**2021 YEAR END TAX PLANNING**

Your charitable giving supports the community that we live in and love. It can also simultaneously offer options to reduce tax liability. Here is a brief overview of a few options to do just that AND keep your dollars local and working for our community!

**Sections 2104 and 2105 of the CARES Act make temporary changes to the tax law to encourage the donation of charitable contributions:** Specifically, during 2020 and 2021, the limitations on deductions for charitable cash contributions increases for individuals who itemize, as well as for corporations. For individuals, the 60%-of-adjusted-gross-income (AGI) limitation for cash gifts is suspended for 2020 and 2021 allowing donors to deduct qualified contributions of cash up to 100% of their AGI. Additionally, individuals will be permitted an above-the-line deduction, up to $300, for cash contributions, even when claiming the standard deduction on their tax return. Married couples filing jointly are permitted an above-the-line deduction, up to $600, for cash contributions in 2021. For corporations, the 10% limitation increases to 25% of taxable income for cash contributions. The limitation on deductions for contributions of food inventory also increases from 15% to 25%. Tax-exempt organizations can use these provisions to encourage donors to provide additional support during tax years 2020 and 2021. Types of donations that do NOT qualify for in the increased limitations are non-cash property gifts, such as appreciated securities, and contributions to Donor Advised Funds even when the fund is managed by a public charity.

**Montana Endowment Tax Credit (METC)**: A state tax credit in the amount of 40% of the charitable value of your gift to benefit a qualified endowment fund – tax credits are truly valuable in addition to your gift also providing a tax deduction at the federal level. Qualifying gifts must be in the form of a planned gift, with individuals eligible for up to $10,000 in METC annually or $20,000 for couples filing jointly when both spouses have Montana tax liability. For businesses, contributions of cash also qualify for the METC providing a credit equal to 20% of their cash donation up to $10,000 per year. Taking advantage of the tax credit will not only reduce or eliminate your out of pocket tax costs, but also the Red Lodge Area Community Foundation will gain valuable endowment support in perpetuity from your gift. Endowment revenue is used for beloved community programs and asset building to keep Red Lodge great forever!

**Individual Retirement Accounts (IRA’s):** Congress made permanent a law that allows retirees age 70½ or older to donate up to $100,000 each year from their IRAs directly to charities. The contribution counts toward your required annual minimum distribution (RMD) and isn't included in your adjusted gross federal income for the year in which the transfer occurs. Retirees avoid recognition of taxable income from retirement accounts. If you file a joint return, your spouse can also have a Qualified Charitable Distribution from their IRA and exclude up to $100,000. For taxpayers who want to reduce the size of their estate, this provision is an ideal way to divest their estate of significant taxable assets – while also making a transformational gift to benefit the community you love.

**Endowment Gifts**: A gift to any of our existing endowments, including our nonprofit grant making, the city pool, and/or The Roosevelt Center is 100% tax deductible. Or create an endowment that matches your own interest for the benefit of our wonderful community.

**Stock donations:** Talk to your investment advisor about potential tax savings by selling stocks that are selling below their cost. The tax savings on the loss frequently exceed any gain or dividend likely to be received from these investments. The Foundation has quickly accessible stock transfer instructions for last minute transfers. \*The deduction is limited to 30% of your adjusted gross income (AGI). If you hold the stock for longer than a year before giving it away, then you can deduct the full fair market value of the donated stock. Another bonus is that there are no capital gains to pay.

**Charitable Gift Annuity:** If you own highly appreciated stocks, consider transferring some of those shares to fund a Charitable Gift Annuity to eventually benefit the permanent endowments. Gift annuities funded with appreciated securities will reduce or eliminate federal and state capital gains tax liability, yield federal deductions, qualify for the Montana Endowment Tax Credit and provide permanent support to your community. Gift annuities can be funded with cash or securities, and in addition to tax incentives offer the option of generating income payments during your life. But if no income is desired, annuity payments can be easily deferred to maximize your tax benefits.

However you choose to give this year, we are thankful for people like you who see the value of investing in the place we’re proud to call home.

**Please contact Tracy Timmons 425-0292 or** [**tracy@rlacf.org**](mailto:tracy@rlacf.org)**, or your tax advisor,**

**to explore these opportunities.**