



Charitable Tax Deductions

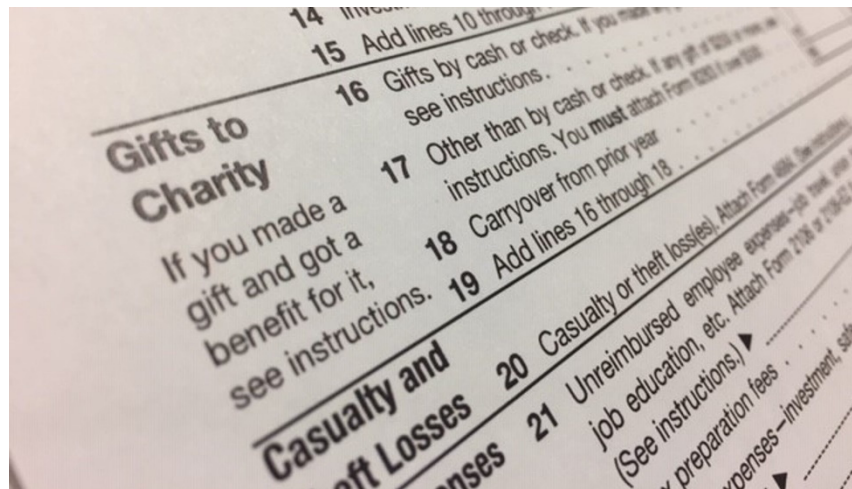


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Charitable Tax Deductions

Congress has long recognized the need for public support of charitable religious organizations and has provided favorable tax treatment for gifts to organizations that the Internal Revenue Service determines to be qualified charities.

Lifetime gifts to qualified charities are completely free of the federal gift tax without limit. Testamentary gifts are also deductible without limit in the computation of the federal estate (and state death) tax. Gifts of money and other property, within specified limitations (discussed below), are considered tax deductible for federal income tax purposes.

An income tax charitable deduction is allowed for charitable contributions made within a taxable year, subject to limitations based upon whether the donee (recipient) is a 50% or 30% charity, whether the donor is an individual or corporation, and what type of property is contributed.

The 50% charities generally include churches, educational institutions, hospitals, governmental units, organizations receiving substantial support from governmental units or the general public, and certain private foundations.

The 30% charities include other organizations (mostly private foundations), described in IRC Section 170(c), that do not qualify as 50% charities.

Individual Donors

50% Charitable Organizations

Total deductions are limited to 50% of the donor's adjusted gross income for the year of the gift, with 5-year carryover for unused deductions. Gifts of trust income to a 50% charity are also deductible up to 30% of AGI with a 5-year carryover.

30% Charitable Organizations

Total deductions are limited to 30% of the donor's adjusted gross income for the year of the gift, with a 5-year carryover.

Ceilings on Corporate Charitable Deductions

Charitable Deduction Ceiling

50% Charitable Organizations

Deduction is limited to 10% of the corporation's taxable income with a 5-year carryover.

30% Charitable Organizations

Deduction is limited to 10% of the corporation's taxable income with a 5-year carryover.

Gift & Tax Limitations

Based Upon Type of Property

Cash Donations

To a 50% Charitable Organization

Amount of the cash that is contributed by the donor.

To a 30% Charitable Organization

Amount of the cash that is contributed by the donor.

Ordinary Income Property

To a 50% Charitable Organization

Property that produces any gain other than long term capital gain if sold at fair market value. The 50% of adjusted gross income ceiling applies. Examples include inventory of a business owner, a work of art in the hands of the artist who created it and tangible property that has been depreciated.

To a 30% Charitable Organization

Cost. 30% of adjusted gross income ceiling applies.

**Long-Term
Capital Gain Property****To a 50% Charitable Organization**

Fair market value, not to exceed 30% of donor's adjusted gross income with a 5-year carryover. Donors of long term capital gain property can qualify for 50%-of-AGI ceiling by electing to reduce contribution deduction by 100% of the gain in the property.

To a 30% Charitable Organization

Fair market value, not to exceed 20% of donor's adjusted gross income with a 5-year carryover. Reduce fair market value by 100% of long term capital gain element if the donee is a private foundation and the donated property is not publicly held stock for which market quotations are readily available.

Tangible Personal Property Donate to Charity

When tangible property is donated to a charity, it is treated differently when the property is unrelated. For example, art works donated to an art institute or museum are "related", but when given to a symphony that might sell them, this would be "unrelated" property. Jewelry would be unrelated, unless it was placed in an historical display, etc.

Personal property gifted to a 50% Charitable Organization

Fair market value for related gifts, not to exceed 30% of donor's adjusted gross income with a 5-year carryover. Donors of long term capital gain property can qualify for 50%-of-AGI ceiling by electing to reduce contribution deduction by 100% of the gain in the property.

For unrelated use property, the deduction is generally limited to the donor's adjusted basis.

Gifted to a 30% Charitable Organization

Limited to the donors adjusted basis.

Appraisal Requirements

Qualified appraisals generally are required for non-cash gifts valued at more than \$5,000 and closely held stock worth more than \$10,000. No appraisal is required for gifts of publicly traded securities. The appraisal should be attached to IRS Form 8283. Form 8283 must be filed as substantiation and explanation for all non-cash gifts in excess of \$500, even if no appraisal is required.

Substantiation

Charitable contributions of \$250 or more (whether in cash or property) must be substantiated by a contemporaneous written acknowledgment of the contribution supplied by the charitable

organization. Substantiation is not required if certain information is reported on a return filed by the charitable organization. In 2001, the IRS released guidance reminding donors of the substantiation requirements for claiming income tax charitable deductions for donations to charities providing disaster relief in the wake of the September 11, 2001 terrorist attacks.

The American Jobs Creation Act of 2004 provided strict new rules for charitable donations of patents and intellectual property and tightened rules for donations of used motor vehicles.

Source: Tax Facts, National Underwriter Company

Although this information has been gathered from sources believed to be reliable, it cannot be guaranteed and the accuracy of the information should be independently verified. Federal tax laws are complex and subject to change. As with all matters of tax and legal nature, you should consult with your tax and legal counsel for advice. Feliciano Financial Group and Lion Street Financial, LLC do not offer tax or legal advice.

The Feliciano Financial Group has been in business since 1983 serving individuals, families, businesses and professionals throughout Texas. Our open and process-driven, client-centered approach, has helped make us one of the fastest growing and established financial services firms in Texas.

Our Commitment to You

- To conduct our business according to high standards of equity, honesty and fairness.
- To provide competent, prompt, client focused service which, in the same circumstances, we would expect for ourselves.
- To treat all clients with fairness and equity, to assure the best value possible.
- To remain your life-long financial partner to take care of your ever-changing needs.
- To help you reach your life's financial goals by understanding what is important to you.



Jose Feliciano, CFP, CLU, ChFC
Founder and President

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