



December 20, 2010

Donate to Charity for Tax Benefits

Most people donate to their favorite charities especially at this time of the year. The IRS encourages this by giving you tax benefits. Most of us know that donations in cash will make you eligible for tax deductions. All charities will accept checks and most would also accept gifts designated for specific activities you like. If you wish to designate your gift toward a particular effort of your charity, just make your wishes known to them.

You can also gain tax benefits is by giving gifts of property to your charity. All you need to do is itemize the gifts you gave on your income tax return and you can deduct the value of your gifts. This category of gifts may include household personal property, investments, real estate and land. If you sell the property and donate the cash proceeds you can be exempted from the capital gains tax.

Did you know that you can give the life insurance policies you no longer need away to charities? You may own several life insurance policies and you may no longer need the coverage afforded by some of them. In this case, give them away to charities. You can either give the cash value of these life insurance policies to charity or make the charities the owner of the policies. If you choose the latter, then you can claim for tax benefits by deducting future premiums that you pay for the policies.

Another way to gain tax benefits through charitable giving is through what is known as planned gifts. Most charities can accept planned gifts which

are gifts that use more complex tax laws to encourage larger contributions where you receive special tax benefits. In these arrangements, you may get a current tax savings for a future gift or you might receive a lifetime income from a charitable donation. Also, another advantage of this type of gift is that it enables you to see the effect of large contributions during your lifetime as opposed to giving your gift through your will.

This brings me to the final type of charitable gift – the testamentary gift.

This means making a future gift to a charity through your will. In this situation, you won't get any tax benefit now but you won't be giving your gift yet, either.

Most of these larger gifts are governed by complex rules, so it would be wise to consult a tax professional like a tax attorney for assistance.