

You can be generous and also tax smart



Q: I want to donate to charities and give money to family this year. Please provide guidance on tax regulations.

A: We have late breaking news; if you haven't taken your Required Minimum Distribution (RMD) from your IRA, consider a Qualified Charitable Distribution (QCD). As of this writing, the President hasn't signed it, but the Senate voted to extend temporary tax breaks to the end of 2014. Check with your financial institution for their deadline and don't miss your December 31st IRS deadline or you'll have a penalty of 50% of the RMD.

Charitable donations by check must be mailed before December 31st and are considered delivered on the date mailed. Credit cards and on-line

donations charged as late as December 31st are 2014 contributions.

The IRS requires a bank record and/or a written acknowledgement from the charity to claim deductions on your tax return.

Charities and family members (in lower tax brackets) are good candidates for appreciated securities. Gifts to individuals can't be deducted from your income tax. Charity may begin at home, but the IRS only allows donations to "qualified charitable organizations". Contributions to political causes are not deductible.

When gifting to individuals, the "annual gift tax exclusion" applies and the limit for years 2014 and 2015 is \$14K. If the recipient receives it and deposits it before December 31st, it's a gift for this year. On January 1st the annual exclusion resets for next year.

If you exceed \$14K for anyone, the IRS requires a federal gift tax return for the amount over \$14K. You won't owe federal gift taxes unless you exceed the 'lifetime exemption' amount that is currently \$5.34M. And sunny Florida doesn't have a state gift tax.

There are exceptions to gifting rules that include contributions to college savings plans, paying tuition directly to schools and medical expenses paid directly to medical institutions.

Use your money to make a difference. And consult your tax advisor, gifting can be complicated.

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