Key Wealth Institute

2024 Charitable Giving Guide

Gretchen Miller, MBA, CFP®, CDFA®, CPWA®, Senior Vice President, Key Private Bank Relationship Manager
Cynthia J. McDonald, CTFA, ChSNC®, National Director of Philanthropic Advice

One of the most meaningful aspects of accumulating wealth is being able to give back in significant, influential ways. Families and individuals donate for a whole host of reasons, and taking advantage of tax breaks is low on the list of motivations. Still, tax benefits are an important secondary consideration when giving, one that requires a closer look. Charitable giving strategies should be evaluated by considering your personal goals and circumstances and consulting with your financial advisor and your tax advisor.

Since 1917, individual taxpayers who itemize have been able to receive a tax break on their charitable gifts. However, the enactment of the Tax Cuts and Jobs Act in 2017 has reduced the federal tax benefit for many households. Beginning in 2018, the standard deduction nearly doubled. As a result, far fewer taxpayers are itemizing and receiving an actual tax break for their charitable gifts.

Understanding the factors impacting tax benefits

For taxpayers who itemize, the tax benefits of charitable giving depend on factors that include:

- The type of asset contributed (e.g., cash, long-term capital gain property, short-term capital gain property, tangible personal property, self-created property).
- The basis and fair market value of the assets donated.
- The type of charity to which the gift is donated. Qualified charities can be divided into two categories. The first category of qualified organizations — a public charity also known as a “50% limit organization” or “non 50% organizations.” Non 50% organizations include veterans’ organizations, domestic fraternal societies, nonprofit cemeteries, and certain private foundations, and they are limited to a 30% deduction. The IRS has a database to search for tax-exempt organizations and how they are categorized. Search for tax exempt organizations | Internal Revenue Service. It’s important to note that contributions to individuals, political organizations, and certain private foundations may not be eligible for tax deductions.
- The income level and tax bracket of the taxpayer.
- As a rule, an individual cannot offset their entire income in a year with a sufficiently large charitable gift. The amount you can deduct for charitable contributions is generally limited to no more than 50% (60% for cash contributions) of your adjusted gross income (AGI). Your deduction may be further limited to 50%, 30%, or 20% of your AGI limit depending on the type of property you give and the type of organization you give it to. For large charitable gifts, amounts in excess of those limits can be carried forward for five more years.

Planned gifts can make it possible for you to give more than would otherwise be the case, while providing important tax advantages to you. There are a variety of planned giving options.

Gift appreciated stock

Some of the most tax-efficient assets to give to charity are publicly traded stocks held 12 months or longer that have appreciated with unrealized capital gain. By donating these directly to the charity, you receive a deduction based on the fair market value of the security, and neither you nor the charity pays a tax on the capital gain if the security is subsequently sold by the charity.

Donating highly appreciated stock may enable you to increase your gift and tax deduction automatically and save on capital gain taxes. This is how it works: When you donate appreciated assets to charity, you generally take a tax deduction for the full fair market value of the asset rather than your cost basis or the amount you paid for the stock. As a result, the value of your gift and the amount of your tax deduction increase, and you eliminate your capital gain tax exposure. When the charity later sells the stock, it pays no tax on the gain.

To maximize your charitable giving strategy, you must have enough deductions to make itemizing worthwhile. You need to have at least $14,600 in deductions for single filers and $29,200 for married couples filing jointly to make it worth it. However, even if you take the standard deduction this year and do not itemize your charitable deduction, you still benefit by eliminating the capital gain tax. This is a win for your favorite charity and a win for you.

For example, assume you are debating whether to donate $15,000 in cash, sell $15,000 in stock and donate the cash proceeds, or donate $15,000 worth of stock outright. What are the net tax savings of the different strategies?

$15,000 Fair Market Value of Stock, $5,000 Cost Basis, Bought 5 Years Ago	Donate $15,000 Stock Outright	Donate $15,000 Cash	Sell $15,000 Stock and Donate Cash Proceeds
Charitable donation	$15,000	$15,000	$15,000
Ordinary income tax savings (assume 37% rate)	$5,550	$5,550	$5,550
Capital gain tax paid (assumes 20% tax on $10,000 gain)	$2,000 saved	NA	$2,000 paid
Net tax savings	**$7,550**	**$5,550**	**$3,550**

Note: If your stock is worth less than you paid for it, it is better to sell the stock first and then donate the cash, so you can take the capital tax loss against current or future capital gains.

What is Fair Market Value?

For publicly traded stock, that is the average of the high and low market price on the transfer date. Private-company stock requires an appraisal unless the estimated value is less than $10,000.

Donor-advised fund (DAF)

You might consider contributing to a DAF to satisfy your charitable giving wishes. DAFs are often used to offset unexpectedly high earnings, year-end bonuses, and Roth conversions.

The basic concept of a DAF is straightforward:

- You contribute to the fund and subsequently recommend specific grants to favorite charities when you are ready.
- Keep in mind that your recommendations are subject to final approval and release of the funds by the administrating organization.
- You can claim a tax deduction for the year in which you put assets into a DAF; the amount and timing of any actual grant has no bearing on the tax deduction.
- DAFs are typically invested and grow tax-free.
- Donor-advised funds enhance giving flexibility. You do not have to identify nonprofit beneficiaries when you make tax-deductible contributions to your DAF, and you can distribute your contributions and investment gains to recipients over as long a period as you wish.
- Some DAFs can continue over successive generations and are an ideal way to involve heirs.

Offset the tax costs of a Roth IRA conversion

If you are charitably inclined and plan to do a Roth conversion before the end of the year, a large itemized charitable tax deduction can help offset the taxes caused by a Roth conversion. Roth IRAs offer two important tax advantages: (1) unlike traditional IRAs and employer- sponsored plan distributions, qualified Roth IRA distributions are tax free; and (2) unlike traditional IRAs and employer-sponsored plans, Roth IRAs are not subject to required minimum distribution (RMD) rules that must begin at age 73. The bad news about a Roth conversion is the amount you convert from a traditional IRA to a Roth IRA is taxed as ordinary income in the year of conversion and may push you into a higher marginal federal income tax bracket. Keep in mind that not all states tax distributions from retirement accounts (check with your tax preparer to see whether state income taxes will apply to your Roth conversion).

For reasons not to do a Roth conversion, see Wealth Institute article [Defer No More Part II: The Year of the Roth (July 2023.)]

A Roth conversion may push your taxable income high enough to cause an income-related monthly adjustment amount (IRMAA) in Medicare premiums if you are older than 65.

Featured case study

Jessica and Bruce Jones, both age 57, discuss with their advisor their concern over rising tax rates. They are well aware that their financial plan projects that they will be in a similar tax bracket in retirement as they are now and that their required minimum distributions (that must begin by age 73) will cause them to receive more income than they need or want in retirement. Their advisor recommends that they consider converting a portion of their traditional IRA balances to a Roth IRA over a period of time. She explains that there are many benefits to doing a Roth conversion, but it is a particularly advantageous way to reduce RMDs. For more advantages (and disadvantages) of converting to a Roth IRA, please see the article [Defer No More Part II: The Year of the Roth (July 2023)].

There is no RMD requirement for Roth IRAs for the lives of both spouses, and as a result the couple will reduce their taxable income in retirement. The Joneses think it is a great idea but express concern over the tax liability produced by executing a Roth conversion. The conversion to a Roth IRA would be taxable at the ordinary income tax rate, which currently is 24% for the them. As Florida residents, they will pay no state income tax on the conversion. Knowing the couple currently donate significant amounts to charity each year, their advisor recommends establishing and contributing to a donor-advised fund. Their advisor then shares a charitable offset strategy that can be used with a Roth conversion.

After consulting with their tax advisor, the Joneses instruct him to convert $100,000 from their traditional IRA to a Roth IRA and to establish a DAF with an initial contribution of appreciated stock (cost basis of $50,000) with a fair market value of $100,000 (see table on page 4).

By funding their DAF with $100,000, the Joneses net an additional $24,000 in federal tax savings and offset the taxes owed because of the Roth conversion. They also avoid incurring long-term capital gain tax of $7,500 on their highly appreciated donated stock.

The couple can support the charities they care about by making grant recommendations from their DAF over a span of several years. To continue their charitable legacy after their passing, they can name their children as successor donor-advisors.

	With $100,000 Roth Conversion	Without Roth Conversion
Current Year Adjusted Gross Income, Married Filing Jointly	$335,000	$235,000
Ordinary Income Tax Bracket	24%	24%
Itemized Deductions in 2024 (prior to DAF contribution)	-$35,000	-$35,000
Taxable Income	$300,000	$200,000
Tax Amount Owed	**$72,000**	**$48,000**
$100,000 Stock Contributed to DAF (Subject to 30% Charitable Deduction Limit on AGI)	**-$24,000**	
Tax Amount Owed	**$48,000**	

Use Split-Interest Charitable Trusts

Split-interest trusts are popular because of their dual beneficial interests: They can benefit a qualified charity and a noncharitable beneficiary.

A charitable remainder trust (CRT) provides noncharitable beneficiaries with exclusive rights to distributions until their interests terminate; at that time, charitable beneficiaries receive the assets left over in the trust. CRTs have been particularly useful for investors who want to diversify highly appreciated assets but have been concerned about incurring the capital gain tax. The deferral or avoidance of capital gain tax has been a popular feature for funding CRTs with appreciated assets.

Individuals with large retirement accounts should consider naming a CRT as beneficiary, particularly in light of a recent law (The SECURE Act of 2019) that requires retirement account benefits to be distributed within 10 years after the year of the retirement account owner's death. In general, a CRT provides a current-income tax-charitable deduction and a stream of income to noncharitable beneficiaries, such as your children, for a term of no longer than 20 years or the life of one or more of the noncharitable beneficiaries. By using a longer payout term, a CRT can potentially avoid subjecting a beneficiary to a higher tax bracket and the 3.8% surtax on net investment income. When the trust term ends, the remainder passes to a charity or charities.

Make a qualified charitable distribution

SECURE Act 2.0 modified and added some provisions related to qualified charitable distributions (QCDs). A QCD is an otherwise taxable distribution from an IRA (other than an SEP or SIMPLE IRA receiving contributions) owned by an individual who is age 70½ or older that is paid directly from the IRA to a qualified charity. Taxpayers can exclude up to $105,000 of QCDs from their gross income in 2024. The exclusion amount will be indexed for inflation. The QCD will satisfy or help satisfy your required minimum distribution associated with IRAs that must begin at age 73 (age 75 for those born after 1960). QCDs are not included in adjusted gross income, which makes QCDs beneficial for standard deduction filers. If you have IRAs with nondeductible contributions or multiple IRAs, there are special rules to determine what portion of deductible and nondeductible contributions has been distributed as a QCD and what portion of the remaining IRA is treated as including nondeductible contributions.

For years after 2022

Beginning in 2023, the SECURE Act expanded the definition of QCDs to include one-time distributions to create life income plans, also called Legacy QCDs.

Previously, QCDs could only be used to make an outright gift. The new life income plan or Legacy QCD, however, allows for a tax-free withdrawal from your IRA to establish a charitable gift annuity (CGA).[1] Similar to the current QCD rules, the Legacy QCD will count toward the IRA owner's annual RMD if the gift comes directly from the IRA by the end of a calendar year. There are several considerations to keep in mind:

- It is a once-in-a-lifetime election.
- In 2024, a donor may contribute up to $53,000 through one or more life income gifts to multiple charities.
- The CGA can only benefit you and/or your spouse, and payments of at least 5% of the donated value must start within one year of the gift.
- The $53,000 counts toward the overall $105,000 QCD maximum annual limit.
- All payments by the CGA funded by the QCD must be fully taxable at the recipient's ordinary income tax rate.

[1] While not addressed in this article, the ability to complete a one-time distribution to create a life income plan includes the use of charitable remainder unitrusts or annuity trusts.

Overview of the Tax Cuts and Jobs Act (TCJA) of 2017 and its impact on charitable giving

The Tax Cuts and Jobs Act (TCJA) of 2017 marked a significant overhaul of the U.S. tax code, amending the Internal Revenue Code of 1986. The TCJA was a major policy priority of the Trump administration, designed to fuel economic growth, investment, and worker wages. While permanent reductions in corporate taxes were implemented, many individual tax provisions, including deductions and credits, are set to expire in December 2025 if Congress does not act. (See Here Comes the Sunset; Are You Ready? | Key Private Bank.) TCJA included reductions in individual income tax brackets for most taxpayers and a change in deduction limits for charitable cash gifts. Currently, taxpayers can deduct cash donations up to 60% of their adjusted gross income (AGI). At the end of 2025, this deduction would be limited to 50% of AGI, potentially impacting the tax benefits of large charitable donations.

Key Comparisons Between TCJA and Pre-2018 Law (for Individual Taxpayers)

	TCJA (2018 – 2025)	2017
Highest Marginal Tax Rate	37% (40.8% with Net Investment Income Tax)	39.6% (43.4% with Net Investment Income Tax)
Estate Tax Exemption	$27.22 Million for Married Couple	$10.98 Million (2017) for Married Couple
Business Income Deduction	20% Deduction for Qualified Income	No Deduction
Itemized/Standard Deductions	• Increased Standard Deduction • No Personal Exemptions • State and Local Tax Limited to $10,000 • Limitation on Mortgage Interest Deduction • Limit for Charitable Cash Gifts — 60% of AGI • No Miscellaneous Deductions	• Lower Standard Deduction • Personal Exemptions • No State and Local Tax Limit • Increased Mortgage Interest Deduction • Limit for Charitable Cash Gifts — 50% of AGI • Miscellaneous Deductions

Higher-income donors may adjust their contributions in several ways in response to changes in cash contribution limits, particularly if the limits revert from 60% AGI back to the previous 50% cap.

Here are some potential alterations in their giving behavior:

1. Increased Use of Non-Cash Assets

- **Appreciated Securities**
  Donors may choose to donate appreciated securities instead of cash. This allows them to avoid capital gain taxes while still receiving a charitable deduction based on the fair market value of the securities.
- **Real Estate and Other Non-Cash Assets**
  Similar to securities, donations of real estate or other assets can be a tax-efficient way to give. Donors can benefit from the full market value deduction while minimizing tax liability.

2. Use of Donor-Advised Funds (DAFs)

- **Strategic Giving**
  Higher-income donors may increasingly use DAFs to manage their charitable giving. They can make a larger upfront contribution to the DAF (maximizing their tax deduction) and then distribute funds to charities over time, allowing for thoughtful grant-making and tax planning.
- **Timing Contributions**
  DAFs offer flexibility in timing contributions to charities, enabling donors to contribute in high-income years when tax deductions are more beneficial, while disbursing funds to nonprofits in subsequent years.

3. Increased Focus on Planned Giving

- **Charitable Trusts**
  Donors may consider establishing charitable remainder trusts (CRTs) or charitable lead trusts (CLTs), which can provide income during their lifetimes and a charitable deduction based on the current value of the charitable interest.
- **Bequests**
  Higher-income individuals may be more inclined to include charitable bequests in their estate plans, especially if they are concerned about estate taxes and want to leave a legacy.
- **Smaller, Incremental Donations**
  To stay within the cash contribution limits, donors may opt to spread their cash donations over multiple years, ensuring they remain within the allowable deduction limits.
- **Matching Gifts**
  Some donors may engage in matching gift campaigns, where their employer or another entity matches their contributions, effectively doubling the impact without exceeding personal cash limits.

4. Increased Focus on Impact Investing

- **Socially Responsible Investments**
  Instead of traditional charitable giving, higher-income donors may explore impact investing options, where they invest in funds or projects that generate social or environmental benefits alongside financial returns.

5. Targeting Specific Fundraising Campaigns

- **Designated Gifts**
  Donors may become more selective, directing their contributions toward specific campaigns or projects that align with their philanthropic goals, rather than making generalized cash donations.
- **Endowment Contributions**
  Donors may choose to contribute to endowment funds, which can provide long-term financial stability for organizations, allowing them to make larger contributions while minimizing immediate cash outlay.

6. Engagement With Nonprofit Organizations

- **Increased Dialogue**
  Higher-income donors may engage more deeply with charitable organizations to understand their funding needs and the impact of their contributions, leading to more strategic giving aligned with their values.
- **Collaborative Funding**
  Donors may look to collaborate with other high-net-worth individuals or family foundations to pool resources for larger-impact projects, allowing them to leverage their contributions effectively.

In response to changes in cash contribution limits, higher-income donors are likely to adopt a more strategic, diversified approach to their charitable giving. By leveraging non-cash assets, using donor-advised funds, and exploring planned giving options, they can maximize their philanthropic impact while navigating the evolving tax landscape. Nonprofit organizations will need to adapt to these shifts by offering a range of giving options and engaging donors in meaningful ways to maintain their support.

Gift planning summary of outright charitable contributions – 2024

Outright Contribution	Income Tax Deduction	Capital Gain Considerations	Method of Transfer	Special Considerations
Cash	Amount of cash, up to 60% of donors' AGI for gifts to public charities (50% charities); up to 30% of AGI for gifts to private foundations. Five-year carryover allowed for excess deductions.	None	Checks or other cash equivalents including credit card charges, electronic transfer, and physical delivery of cash.	Carried-over deductions from cash gifts are considered before carryovers of property gifts.
Marketable Securities	Current market value if long-term gain is transferred to a 50% charity, up to 30% AGI or long-term gain is transferred to a 30% charity, up to 20% of AGI. Limited to cost basis if short-term gain up to 60% of AGI (30% for private foundations). Five-year carryover for excess.	No gain reportable when donor gives appreciated securities.	Transfer can be made to charity's account or be delivered to charity's agent in negotiable form.	Donors of appreciated securities can qualify for the 50% AGI ceiling by electing to reduce their contribution deductions by 100% of the gain. Strategy could be effective where long-term capital gain is insubstantial.
Donor Advised Funds (DAF)	Donor receives charitable deduction when contributions are made to a DAF. No additional deduction allowed when DAF makes transfer to a recipient charity.	No gain reportable if donor gives appreciated assets to a DAF.	Account owner can make recommendations of gifts to individual charities, but DAF retains ownership and control over distributions.	Good if donor does not have individual charities identified yet but still wants current year tax deduction. Currently no minimum annual distribution required by a DAF account.
Real Property	Current value of appreciated real estate held long-term, less any indebtedness transferred to a 50% charity, up to 30% of AGI with 5-year carryover for excess deduction. Transfer to 30% charity is deductible at cost basis only, up to 20% of AGI with five-year carryover.	No gain reportable by donor.	Transfer of title of contributed real estate is generally made by quit-claim deed.	Verify charity's policy on accepting gifts of real estate.
Closely Held Securities	Current value of appreciated closely held securities if transferred to a 50% charity, up to 30% AGI with five-year carryover of excess deduction. Transfer to 30% charity deductible at cost basis only, up to 20% of AGI.	No gain reportable by donor.	Delivery of securities in negotiable form to charity or agent by transfer of certificate into charity's name.	Gifts of closely held securities are often negotiated with anticipation of corporate redemption of charity's stock. Gifts may also be attractive where sale of corporation is anticipated. Be aware of prearranged sales that could cause the gain to be recognized by donor.
Life Insurance	FMV of policy (interpolated terminal reserve value) or donor's costs basis, whichever is less, subject to 60% of AGI ceiling (30% for private foundations). Policy loans reduce deductions. No deduction for term policies.	Ordinary income property. Generally, no recognition of gain unless policy is subject to a loan.	Ownership of policy is transferred to charity by an endorsement by the donor on forms supplied by the insurance company and accompanied by delivery of the insurance policy.	If the donor continues to pay the policy premium, donor receives a charitable income tax deduction.
Qualified Charitable Distributions from IRAs (QCDs)	No deduction. But, qualified donors (IRA owners ages 70½ and older) do not include the distribution (up to $105,000) in income. Also counts toward RMD requirement.	None	IRA owner can request trustee or custodian of account to make a QCD to a qualified charity (does not include a DAF, supporting organization, CRT or CGA).	Currently, employer-sponsored retirement plans are ineligible for QCDs.

Key Wealth

About the Author

As a Relationship Manager for Key Private Bank, Gretchen Miller focuses on ensuring her clients' wealth management plans are carried through to meet their unique financial objectives and grow and preserve wealth. Gretchen coordinates the implementation of wealth management strategies with the relationship team and ensures clients have the tools and information to keep track of their financial situations and make informed decisions. She also coordinates regular communications and updates with the team and delivers the latest insights and advice to benefit clients' particular situations.

Gretchen has more than 30 years of experience in financial services and is well-qualified to help clients implement strategies to achieve their goals. Most recently, prior to joining Key, Gretchen served as Director of Advanced Planning for Prudential Financial, where she was a subject matter expert on financial and estate planning and on retirement topics such as Social Security, Medicare, and tax-efficient distribution strategies. Gretchen earned a Bachelor of Science degree in management from Springfield College and an MBA from the University of Phoenix. Gretchen obtained her certification as a Certified Financial Planner.™ Most recently, she obtained her Certified Divorce Financial Analyst® certification in 2023. She is a member of the Financial Planning Association, the Investments & Wealth Institute, and the Institute for Divorce Financial Analysts®.

About the Author

Cindy serves as the National Director of Philanthropic Advice at KeyBank, where she is responsible to introducing a comprehensive suite of sophisticated planning solutions tailored for nonprofit and institutional clients. Her role encompasses developing and implementing growth strategies, providing strategic planning advice, conducting governance and policy reviews, offering thought leadership, and delivering education on a range of critical topics. These topics include planned giving, fund accounting, charitable trusts, donor-advised funds, and other services that support nonprofits with a particular focus on endowments, foundations, and pooled special needs trusts.

Understanding the importance of supporting clients in the impactful work they do, Cindy obtained her Chartered Special Needs Consultant (ChSNC®) designation. This designation enables her to assist people with special needs through planning ideas. She has gained in-depth knowledge of the best strategies and a dynamic understanding of areas such as disability regulations, special needs trusts, the ABLE Act, government benefits, Medicaid complexities, special education, estate and retirement planning, and tax implications.

The Key Wealth Institute is a team of highly experienced professionals representing various disciplines within wealth management who are dedicated to delivering timely insights and practical advice. From strategies designed to better manage your wealth, to guidance to help you better understand the world impacting your wealth, Key Wealth Institute provides proactive insights needed to navigate your financial journey.

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