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CHARITABLE GIVING- HELP A GOOD CAUSE AND GET A TAX BENEFIT

Many of my clients seek advice on making charitable giving a part of their overall estate plan. This is definitely a good idea, not only for the chosen charitable organization, but also from a tax savings perspective. There are significant gift, income, and estate tax benefits associated with charitable giving. In order to make such a “gift”, however, you should be aware of a few requirements which must be met before your good intentions will result in a benefit to both the charity and the estate.

Usually, small gifts to charities don’t give rise to substantial legal issues. However, with larger donations issues arise such as how much to give in any given year; what’s the best time to make such a gift; should the gift be given outright or by way of a Trust; and which organization are the best ones to benefit.

You should first consider the type of charitable organization you want to make your gift to. Usually the organization is one that has given the donor (or someone close to the Donor) some sort of benefit for a long time. I often see churches and other religious organizations as one type. Here in Greenwich, public service organizations such as the Transportation Association of Greenwich (TAG), which provides transportation services for the elderly is another type. The key, however, is that the organization **MUST** be recognized as a charitable organization by the IRS and has been created and organized under the laws of the United States or a State. IRS Section 501 (c)(3) provides the details of these requirements. Therefore, be aware that although giving a donation to a needy family may be a wonderful act based upon a moral desire, it won’t get you any tax benefits.

So what is the tax benefit? Well, generally speaking, gifts of cash and property are deductible for income tax purposes. However, these deductions are subject to numerous limitations which you must discuss with your estate planner before proceeding. However, if the rules are met, the deduction can amount to an enormous tax savings.

From an estate tax perspective, gifts and bequests to charitable organizations are fully deductible for gift and estate tax purposes. Therefore, if your estate is lingering above the estate tax exemption limit, you may want to consider that donation to TAG or your religious organization to bring your estate value below the exemption limit. If you already planning on making a charitable donation anyway, why not consider the savings to the estate when determining how much to give?

Finally, you can make arrangements for charitable giving by using a Charitable



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Remainder Trust. In its most basic form, this type of Trust allows for the use of the property by the donor or his family members during his/their lifetime, then the property passes through the Trust instrument, to the Charity. In this scenario, usually the Trust is funded with income producing property in which the Donor's family may enjoy the interest for a certain term and then the charity acquires the principal at a certain time. This type of trust can be complicated, but in an estate plan, you can kill three birds with one stone. A), it gets the estate a charitable deduction, b) it provided for family members for a specific period of time and, c) it gifts a substantial donation to a qualified charity of your choosing.

If you are planning your estate, I would highly recommend charitable giving as part of your overall structure. Many of these organizations depend on charitable giving in order to sustain them, while at the same time providing you or your loved ones invaluable services.

Anthony J. Medico, Esq., has practiced law for over 22 years. To ask a question for this column, or to receive Medico's free Estate Planning Survival Guide, visit his website at www.medicoandassociates.com, send an e-mail to Amedico@medicoandassociates.com or call (203) 661-8151. You can read most of his previous columns on his Greenwich Time estate planning blog on the internet. Just go to <http://www.greenwichtime.com/blogs> and scroll down until you find him under the business section. Enjoy.