



Newsletter

BUMGARDNERMORRISON

CERTIFIED PUBLIC ACCOUNTANTS

WEALTH MANAGEMENT ADVISORS

Empowering Peace of Mind

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Year-End Charitable Gifting *What should you keep in mind as you donate?*

Provided by J. David Bayarena, CFP®, MBA

Are you making charitable donations this holiday season? If so, you should know about some of the financial “fine print” involved, as the right moves could potentially bring more of a benefit to the charity and to you.

To deduct charitable donations, you must itemize them on I.R.S. Schedule A. So, you need to document each donation you make. Ideally, the charity uses a form it has on hand to provide you with proof of your contribution. If the charity does not have such a form handy (and some charities do not), then a receipt, a credit or debit card statement, a bank statement, or a cancelled check will have to suffice. The I.R.S. needs to know three things: the name of the charity, the gifted amount, and the date of your gift.¹

From a tax planning standpoint, itemized deductions are only worthwhile when they exceed the standard income tax deduction. The 2017 standard deduction for a single filer is \$6,350. If you file as a head of household, your standard deduction is \$9,350. Joint filers and surviving spouses have a 2017 standard deduction of \$12,700. (All these amounts rise in 2018.)²

Make sure your gift goes to a qualified charity with 501(c)(3) non-profit status. Also, visit CharityNavigator.org, CharityWatch.org, or GiveWell.org to evaluate a charity and learn how effectively it utilizes donations. If you are considering a large donation, ask the charity involved how it will use your gift.

If you donated money this year to a crowdsourcing campaign organized by a 501(c)(3) charity, the donation should be tax deductible. If you donated to a crowdsourcing campaign that was created by an individual or a group lacking 501(c)(3) status, the donation is not deductible.³

How can you make your gifts have more impact? You may find a way to do this immediately, thanks to your employer. Some companies match charitable contributions made by their employees. This opportunity is too often overlooked.

Thoughtful estate planning may also help your gifts go further. A charitable remainder trust or a contract

between you and a charity could allow you to give away an asset to a 501(c)(3) organization while retaining a lifetime interest. You could also support a charity with a gift of life insurance. Or, you could simply leave cash or appreciated property to a non-profit organization as a final contribution in your will.¹

Many charities welcome non-cash donations. In fact, donating an appreciated asset can be a tax-savvy move.

You may wish to explore a gift of highly appreciated securities. If you are in a higher income tax bracket, selling securities you have owned for more than a year can lead to capital gains taxes. Instead, you or a financial professional can write a letter of instruction to a bank or brokerage authorizing a transfer of shares to a charity. This transfer can accomplish three things: you can avoid paying the capital gains tax you would normally pay upon selling the shares, you can take a current-year tax deduction for their full fair market value, and the charity gets the full value of the shares, not their after-tax net value.⁴

You could make a charitable IRA gift. If you are wealthy and view the annual Required Minimum Distribution (RMD) from your traditional IRA as a bother, think about a qualified charitable distribution (QCD) from your IRA. Traditional IRA owners age 70½ and older can arrange direct transfers of up to \$100,000 from an IRA to a qualified charity. (Married couples have a yearly limit of \$200,000.) The gift can satisfy some or all of your RMD; the amount gifted is excluded from your adjusted gross income for the year. (You can also make a qualified charity a sole beneficiary of an IRA, should you wish.)^{4, 5}

Do you have an unneeded life insurance policy? If you make an irrevocable gift of that policy to a qualified charity, you can get a current-year income tax deduction. If you keep paying the policy premiums, each payment becomes a deductible charitable donation. (Deduction limits can apply.) If you pay premiums for at least three years after the gift, that could reduce the size of your taxable estate. The death benefit will be out of your taxable estate in any case.⁶

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IRS Encourages Taxpayers to Check Their Withholding;

Checking Now Helps Avoid Surprises at Tax Time

WASHINGTON — As the end of 2017 approaches, the Internal Revenue Service today encouraged taxpayers to consider a tax withholding checkup. Taking a closer look at the taxes being withheld now can help ensure the right amount is withheld, either for tax refund purposes or to avoid an unexpected tax bill next year.

The withholding review takes on even more importance given a tax law change that started last year. This change requires the IRS to hold refunds a few weeks for some early filers claiming the Earned Income Tax Credit and the Additional Child Tax Credit. In addition, the IRS and state tax administrators continue to strengthen identity theft and refund fraud protections, which means some tax returns could require additional review time next year to protect against fraud.

"With only a few months left in the year, this is a good time to check on your withholding," said IRS Commissioner John Koskinen. "How much you choose to withhold is a personal choice, but checking now can reduce the chance for a surprise tax bill when you file in 2018."

By adjusting the Form W-4, Employee's Withholding Allowance Certificate, taxpayers can ensure that the right amount is taken out of their pay throughout the year. Having the correct amount withheld from paychecks helps to ensure that taxpayers don't pay too much tax during the year – and it also means taxpayers have money up front rather than waiting for a bigger refund after filing their tax return.



The IRS also cautions people to be careful and check to make sure they have enough withheld from their paychecks. Under-withholding can lead to a tax bill as well as an additional penalty. The IRS especially encourages people with a second job, such as those in the sharing economy, or with a major life change to check whether they are having enough withheld or if they are making the appropriate estimated tax payments.

In many cases, a new Form W-4, Employee's Withholding Allowance Certificate, is all that is needed to make an adjustment. Taxpayers submit it to their employer, and the employer uses the form to figure the amount of federal income tax to be withheld from pay. But remember – it takes time for employers to process these payroll changes, so any adjustments should be made quickly so it can take affect during the final pay periods of 2017. The IRS offers several online resources to help taxpayers bring taxes paid closer to what is owed. They are available anytime at www.IRS.gov. They include:

IRS Withholding Calculator – Online tool helps determine the correct amount of tax to withhold.

IRS Publication 505 – Tax Withholding and Estimated Tax.

Tax Withholding – Complete information on withholding, estimated taxes, FAQs and more.

Self-employed taxpayers, including those involved in the sharing or gig economy, can use the Form 1040-ES worksheet to correctly figure their estimated tax payments. If they also work for an employer, they can often forgo making these quarterly payments by instead having more tax taken out of their pay.

For the Man Who Hated Christmas

Written by Nancy Gavin and originally published in the December 14, 1982 issue of Woman's Day.

It's just a small, white envelope stuck among the branches of our Christmas tree. No name, no identification, no inscription. It has peeked through the branches of our tree for the past ten years or so.

It all began because my husband Mike hated Christmas--oh, not the true meaning of Christmas, but the commercial aspects of it--overspending... the frantic running around at the last minute to get a tie for Uncle Harry and the dusting powder for Grandma---the gifts given in desperation because you couldn't think of anything else.



Knowing he felt this way, I decided one year to bypass the usual shirts, sweaters, ties and so forth. I reached for something special just for Mike. The inspiration came in an unusual way.

Our son Kevin, who was 12 that year, was wrestling at the junior level at the school he attended; and shortly before Christmas, there was a non-league match against a team sponsored by an inner-city church. These youngsters, dressed in sneakers so ragged that shoestrings seemed to be the only thing holding them together, presented a sharp contrast to our boys in their spiffy blue and gold uniforms and sparkling new wrestling shoes. As the match began, I was alarmed to see that the other team was wrestling without headgear, a kind of light helmet designed to protect a wrestler's ears.

It was a luxury the ragtag team obviously could not afford. Well, we ended up walloping them. We took every weight class. And as each of their boys got up from the mat, he swaggered around in his tatters with false bravado, a kind of street pride that couldn't acknowledge defeat.

Mike, seated beside me, shook his head sadly, "I wish just one of them could have won," he said. "They have a lot of potential, but losing like this could take the heart right out of them." Mike loved kids - all kids - and he knew them, having coached little league football, baseball and lacrosse. That's when the idea for his present came. That afternoon, I went to a local sporting goods store and bought an assortment of wrestling headgear and shoes and sent them anonymously to the inner-city church. On Christmas Eve, I placed the envelope on the tree, the note inside telling Mike what I had done and that this was his gift from me. His smile was the brightest thing about Christmas that year and in succeeding years. For each Christmas, I followed the tradition--one year sending a group of mentally handicapped youngsters to a hockey game, another year a check to a pair of elderly brothers whose home had burned to the ground the week before Christmas, and on and on.

The envelope became the highlight of our Christmas. It was always the last thing opened on Christmas morning and our children, ignoring their new toys, would stand with wide-eyed anticipation as their dad lifted the envelope from the tree to reveal its contents.

As the children grew, the toys gave way to more practical presents, but the envelope never lost its allure. The story doesn't end there.

You see, we lost Mike last year due to dreaded cancer. When Christmas rolled around, I was still so wrapped in grief that I barely got the tree up. But Christmas Eve found me placing an envelope on the tree, and in the morning, it was joined by three more.

Each of our children, unbeknownst to the others, had placed an envelope on the tree for their dad. The tradition has grown and someday will expand even further with our grandchildren standing to take down the envelope.

Mike's spirit, like the Christmas spirit, will always be with us.

Should you donate a vehicle to charity? This can be worthwhile, but you probably will not get fair market value for the donation; if that bothers you, you could always try to sell the vehicle at fair market value yourself and gift the cash. As organizations that coordinate these gifts are notorious for taking big cuts, you may want to think twice about this idea.⁷

gift up to \$14,000 in cash to as many individuals as desired. If you have two grandkids, you can give them each up to \$14,000 this year. (You can also make individual gifts through 529 education savings plans.) At this moment, every taxpayer can gift up to \$5.49 million during his or her lifetime without triggering the federal estate and gift tax exemption.⁸

You may also want to make cash gifts to individuals before the end of the year. In 2017, any taxpayer may

Be sure to give wisely, with input from a tax or financial professional, as 2017 ends.

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Employee



Which BumgardnerMorrison employee is originally from New York?

The answer is hidden within these pages.



What's Up...



Bumgardner Morrison participated in the 2017 Walk to End Alzheimer's held Saturday, October 28th. Pictured above (left to right) are D'an Kocian, Sheri Walls, Jamie Schacherl, Perla Aguado, Julie Williams, and Kara Stevens.

**We hope you enjoyed our newsletter. It is also available at
<http://www.bmccpa.com/blog>.**

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email to Lori Devereaux at lori@bmccpa.com.**



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