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Dear Client,

I write this year's note struggling to wrap my head around the scale of devastation from the wildfires in LA. I am so sorry for all of you directly or indirectly impacted by this tragic situation. It is with this event in mind that I decided to outline some tips and ideas related to charitable giving. You should never donate more than what is in your heart (the savings are never more than the donation), but I'm all for using the tips and tricks on the back page to make your giving as efficient as possible.

It's also critical to keep in mind that Go Fund Me is ***not*** a 501c3. Payments made to GFM recipients are personal gifts and not "donations". We cannot take a deduction for these payments no matter the recipient. While it's well-intended to gift directly to people, people are not charities and tax law only allows for a donation to a charity. Be sure to make donations directly to organizations rather than sending a payment to someone who is raising funds for an organization. Making that donation directly to the 501c3 instead of Venmo-ing your friend is one way to secure a deductible donation.

As we are about to enter a new presidential term, 2024 did not have many significant tax law changes. There is a wide array of laws set to expire at the end of 2025 including the SALT cap, QBID, and bonus depreciation, but it's reasonable to assume that the incoming president will want to reinstate these changes as he introduced them in the 2018 overhaul. It is to be determined what regulations he's able to extend or pass in a modified way, so for now we will wait and see what changes stick.

As with last year, many of you will have already received IP Pin letters. If you needed a pin last year, you need it again this year. This program is for your protection and it's a good thing to have a pin. Missing your IP Pin is the single most common cause for efile rejections which can delay your filing and refund. If you received a letter, I need it. If you didn't receive the letter but had a pin last year or want a pin this year, you can request one online: https://www.irs.gov/identity-theft-fraud-scams/retrieve-your-ip-pin

The courts flip flopped over the new BOI registration for all business and LLC owners, but as of this printing the law is valid and registration is required. Registration is quick, free, and takes less than 10 minutes to complete. https://boiefiling.fincen.gov/

Our house remains a hub of activity and, at times, madness. My kids Leo (8), Wolfie (5.5) and Juliet (3) are getting big and keep us on our toes. The boys are sports fanatics and Juliet is all sparkles and unicorns. We adopted a retired guide dog named Aladdin last year and he has added to the love and chaos. We count our blessings every day and I hope the same for you and your families.

All the best,

Shannon

Tax Thoughtful Charitable Giving

The following are techniques used to increase efficiency of your charitable giving. By maximizing the tax benefits, you can free up more cash for future gifts.

1) Donating appreciated assets
    a. Donating shares of highly appreciated stock, mutual funds, etc instead of cash allows you to deduct the FMV without reporting the income
    b. If you sell the shares and donate cash, you have to pay tax on the capital gain, but when you donate the shares you get the full deduction and no tax
    c. Example: If I have $1,000 of Apple stock purchased for $100, the Federal tax cost of the sale might be $180 (20%) leaving me with $820 to donate and deduct. If I give the shares instead, I deduct $1,000 and pay nothing in tax. You and the organization both win
2) Gift bunching
    a. Many taxpayers stopped itemizing after the standard deduction was increased in 2018. If you don't itemize, you don't deduct your donations
    b. Gift bunching means making a single large gift equal to what you normally would gift in two or more years.
    c. There are many detailed examples online illustrating how this works but bunching or stacking can save you thousands if done right because it allows you to itemize in the years with the big gift.
3) Donor Advised Fund- DAF
    a. A DAF allows you to blend the deduction of a stacked gift with the annual support of your preferred organizations.
    b. These funds allow you to transfer cash or shares into an account that you control and you take a deduction in the year you deposit into the DAF even if you don't distribute the gifts that year. The funds remain invested and need to be donated over time, but all growth in the account is tax free increasing how much you can gift.
    c. This is commonly used when someone has a "liquidity event" which could mean selling a business, receiving an inheritance, retiring, getting lump sum retro-pay after a new contract, etc. By making larger contributions in years when your income is highest you can deduct when your tax rate is the highest and then distribute the donations when and how you see fit.
4) Qualified Charitable Distributions from IRAs (QCD)
    a. If you are over age 70.5 you can direct your annual RMD to go directly to a charity and sidestep reporting this income entirely
5) Charitable Remainder Trusts CRT
    a. This type of giving is typically reserved for larger gifts and taxable estates, but you can contribute an account or group of accounts to this type of trust. The trust invests the assets and pays an annual income to you during your life and then upon your passing, the "remainder" is given to the designated charity.
    b. CRTs are irrevocable and can be complex and expensive to manage so we typically only see this for the biggest gifts, but many larger charities (hospitals, universities, etc) offer CRT participation to donors as a way of securing future gifts