What to Know About Taxes and Giving

YOUR LEGACY

We invite you to continue the Legacy of Caring provided by John Muir Health by establishing your own Legacy of Giving through your charitable estate plans.

For more information on how to create a Legacy of Caring and Giving that is meaningful to you and your family, please contact the Office of Legacy Giving at 925-947-4449.

JOHN MUIR HEALTH FOUNDATION

You Can Do More When You Know More

Charitable giving is an expression of belief in a mission. It is gratifying to support work and causes that are personally meaningful, and we are thankful for the many donors who stand with us and encourage us through their thoughtful generosity.

Beyond personal satisfaction, there are tax advantages to making a charitable gift. The better you understand these advantages, the more effectively you can use your resources to maximize the impact of your giving.

You really can do more when you know more. We encourage you to read further to learn or review some basic but important concepts regarding taxes and charitable giving. If this information raises questions about your personal situation or gift planning in general, please contact us. It would be our pleasure to help you explore the options that may work best for you.

Deductions Make a Difference

An income tax charitable deduction is not the primary motivation behind making a charitable gift, but it can be an important factor.

Generally, gifts to a qualifying charitable organization are eligible for a federal income tax deduction when you itemize your tax return. The deduction for gifts of cash is limited to 60% of your adjusted gross income (AGI) for the tax year (aggregate limit). For a gift of appreciated securities or real estate, the deduction limit is 30% of AGI. For gifts that exceed these limitations, you can carry forward the excess deduction for up to five consecutive years.

Example: Harvey's adjusted gross income last year was $200,000. He made a gift of appreciated stock valued at $80,000. However, he could not deduct the entire $80,000 because it exceeded the 30%-of-AGI limitation on gifts of appreciated property, which in his case came to $60,000. In his 32% tax bracket, the deduction reduced Harvey's federal income tax by $19,200 (32% of $60,000). This year, he can deduct the unused $20,000.*

Currently, the standard deduction is fairly high. It may make sense to "bunch" your charitable gifts from two years into a single year to push your charitable deduction higher than the standard deduction, then take the standard deduction the following year.

** All examples are for illustrative purposes. Contact us for current rates and tax information.*

Example: Jean makes annual cash gifts to us of $10,000. However, the standard deduction is $15,000 for single filers in 2025—higher than the $10,000 deduction her cash gift would qualify for. She decides to give us $20,000 this year, combining her usual gifts for 2025 and 2026, and itemize her tax return to take the $20,000 deduction.

Appreciated Property Has Tax Advantages

Do you own property you no longer wish to pay tax on or maintain? Do you own stocks you'd like to remove from your portfolio to achieve a slightly different balance? Before you sell, consider whether these assets could make a rewarding impact on our work in a tax-advantaged way.

When you sell a capital asset (stock, bonds, real estate), you are taxed on any appreciation in value. If you held the property for one year or more, the amount of appreciation is subject to long-term capital gains tax rates—15% for most individuals, with a top rate of 20%. (If you held the property for less than one year, the appreciation is taxed at the higher ordinary income tax rates.)

Appreciated property held long term can be an excellent gift option because it offers a *double tax benefit*—not only do you bypass any capital gains tax, but the gift qualifies for a charitable income tax deduction for the full amount of the property.

Example: Many years ago, Celia purchased three acres of land in an undeveloped area for $20,000, thinking she would build a home there when she was ready to retire. Those plans have changed. She considers selling the land, but it is now worth $80,000, meaning she would have to pay $9,000 in capital gains tax ($60,000 appreciation x 15%).

Instead, Celia decides to use the land to meet her charitable goals and support our cause. She not only bypasses the $9,000 in capital gains tax she would have owed if she sold the land, but her gift qualifies for a deduction for the full $80,000. In her 24% tax bracket, the deduction reduces her taxes by $19,200.

Highly appreciated real estate can provide other creative planning opportunities, as well. A bargain sale is one additional option. As part gift and part sale, it lets you receive cash and benefit from a deduction for part of the property's value. Ask us for more information.

IRAs Offer Opportunities

Although IRAs are a retirement savings tool, they also offer unique opportunities for meaningful charitable gifts—qualified charitable distributions (QCDs) and beneficiary designations.

Outright QCDs

IRA owners age 70½ or older can use an outright QCD to make a direct transfer from an IRA to us. Though no charitable deduction is allowed for the gift, no tax is due on the transfer—the entire amount goes to support our work. In addition, the transfer counts toward your required minimum distribution (RMD) if one is due (generally, at age 73). For donors who qualify, the opportunity to satisfy distribution requirements through a tax-free transfer to us is a simple, effective way to give year after year up to the annual aggregate limit ($108,000 in 2025).

Life Income QCDs

IRA owners age 70½ or older have another QCD option—a one-time distribution of up to $54,000 (in 2025) directly from an IRA to create a new charitable gift annuity (CGA) or a charitable remainder trust (CRT), which can be either a charitable remainder unitrust (CRUT) or charitable remainder annuity trust (CRAT). Like the outright QCD, the tax-free distribution counts toward your RMD if one is due. However, this option allows you to not only make a gift but also secure a lifetime income stream from the CGA or CRT.

A few items to note:

- The $54,000 limit is part of the larger $108,000 annual limit (not in addition to it).
- Spouses may contribute $54,000 each from their own IRAs ($108,000 total) to create a single CRT or a joint-life CGA.
- CGA or CRT payments may go to the donor and/or the donor's spouse only.
- CGAs must be immediate, not deferred.
- CGA or CRT payments are taxed entirely as ordinary income. No portion of any payment will be considered tax free or taxed as capital gains.
- The QCD limits are indexed annually for inflation.

Beneficiary designations
Another opportunity for supporting our work through your IRA is to name us as a full or partial beneficiary of the account—something you can do at any age. If you are considering a legacy gift and own assets such as appreciated property in addition to your IRA, there is a good reason to consider leaving IRA assets to us and the appreciated property to heirs. Retirement assets left to heirs are fully taxable to them when they are withdrawn, and there are requirements for the timing of the withdrawals. By contrast, taxes on appreciated property (securities or real estate) are due only when the asset is sold, so your heirs are taxed only on the amount the property appreciates after the asset becomes theirs. Also, there are no requirements for when the property must be sold.

SECURE 2.0 May Impact Your Planning

SECURE 2.0 provisions impact many areas of retirement and tax planning. The following are a few additional items addressed in the legislation that may be of interest.

RMD rules. The age to begin taking required minimum distributions increased from 72 to 73 in 2023, with an increase to 75 scheduled for January 1, 2033.

Special needs trusts. Individuals may now name a charity as a remainder beneficiary of a special needs trust that contains an inherited defined contribution plan or IRA.

Military spouse tax credit. Tax credit availability is expanded for employers under certain conditions.

Retirement plan contributions. Starting in 2025, there is a special, higher catch-up contribution available to plan participants ages 60-63.

529 account to ROTH IRA rollovers. Beneficiaries of 529 accounts (tax-advantaged education savings accounts) that have been open for at least 15 years can now make penalty-free, tax-free rollovers up to $35,000 into a Roth IRA (subject to Roth annual limits).

Consider Your Next Step

You have heard the expression, "knowledge is power." When deciding how to give, we might say, "knowledge is impact." The better you understand your giving options, including the ways they can help you and your family, the more effectively you can shape your charitable giving plan to meet multiple goals. Please contact us if you would like to further discuss gift planning options and innovative, meaningful ways to provide support. Thank you for your thoughtfulness and generosity.

JOHN MUIR HEALTH FOUNDATION

MISSION

John Muir Health is dedicated to improving the health of the communities we serve with quality and compassion.

John Muir Health Foundation is a 501(c)(3) nonprofit organization. Federal Tax ID 94-2650855.

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