



Smarter Ways to Give

Top Tax Tips for 2025

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Getting the government to match your charitable gift makes your giving more powerful

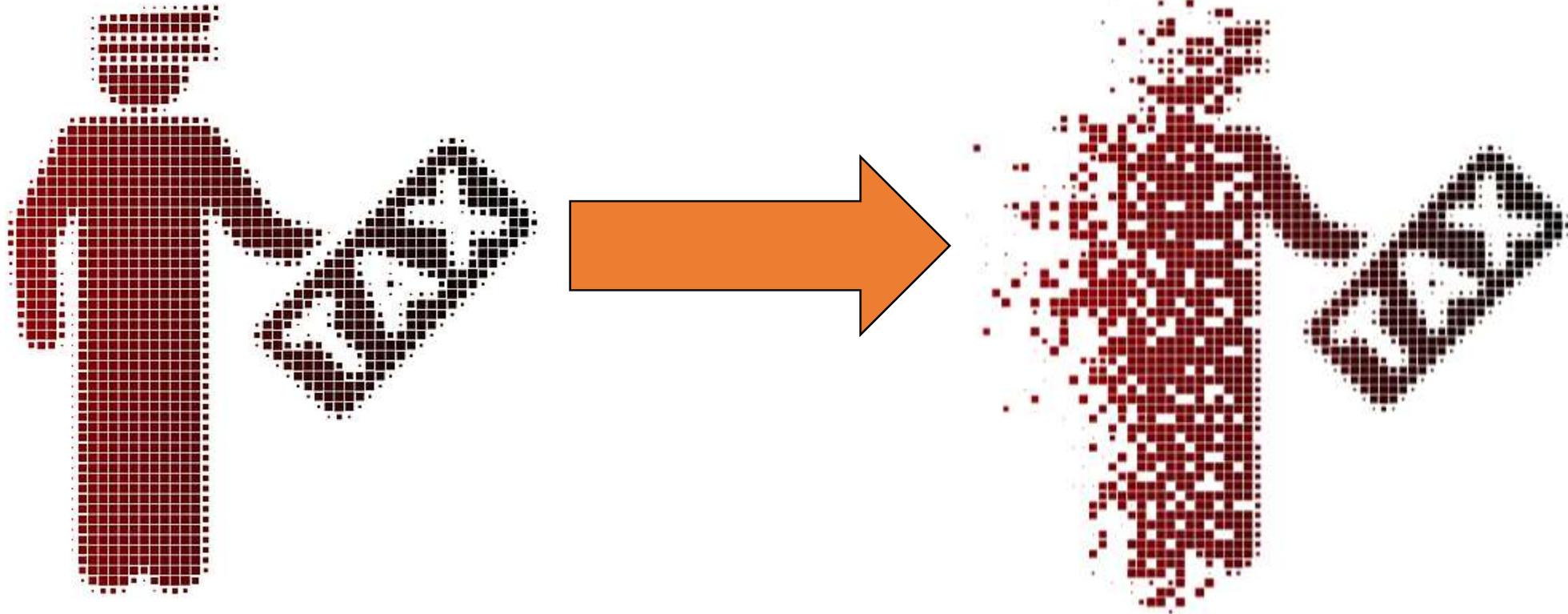
The government pays part of the cost of your gift with

1. Tax deduction
(Good, if you are itemizing)
2. Tax avoidance
(Even more powerful!)



Tax avoidance: The magic disappearing tax bill

It makes an upcoming tax bill disappear



Tax avoidance: Income you never have to report



TAXES

- You earned the income – but now you never have to pay taxes on it.
- You made a profitable investment – but now you never have to pay taxes on it.
- No itemizing required!



Tax avoidance: But wait, there's more!

Deduction: Reported income stays high, but taxes are lower

Avoidance: BOTH reported income AND taxes are lower. This can help with

- Medicare Part B & D payments

Eligibility for

- Deducting IRA contributions
- Making Roth IRA contributions
- Adoption credit

Eligibility for

- Earned income tax credit
- Child tax credit
- Education tax benefits
(American Opportunity Credit, Lifetime Learning Credit, deductibility of student loan interest)



Tax avoidance with charitable giving

1. Gifts of appreciated assets
2. The charitable swap
3. IRA gifts instead of required minimum distributions
4. IRA gifts without or above required minimum distributions
5. IRA beneficiary gifts



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Appreciated asset gifts are objectively cheaper



**Tax
deduction
only**

**Tax deduction
+
Avoid capital
gains tax**

Asset gifts are cheaper for itemizers

Donor **\$100k Cash** **Nonprofit**

Income tax deduction
(\$100,000 x 37%)
\$37,000

Costs \$63,000

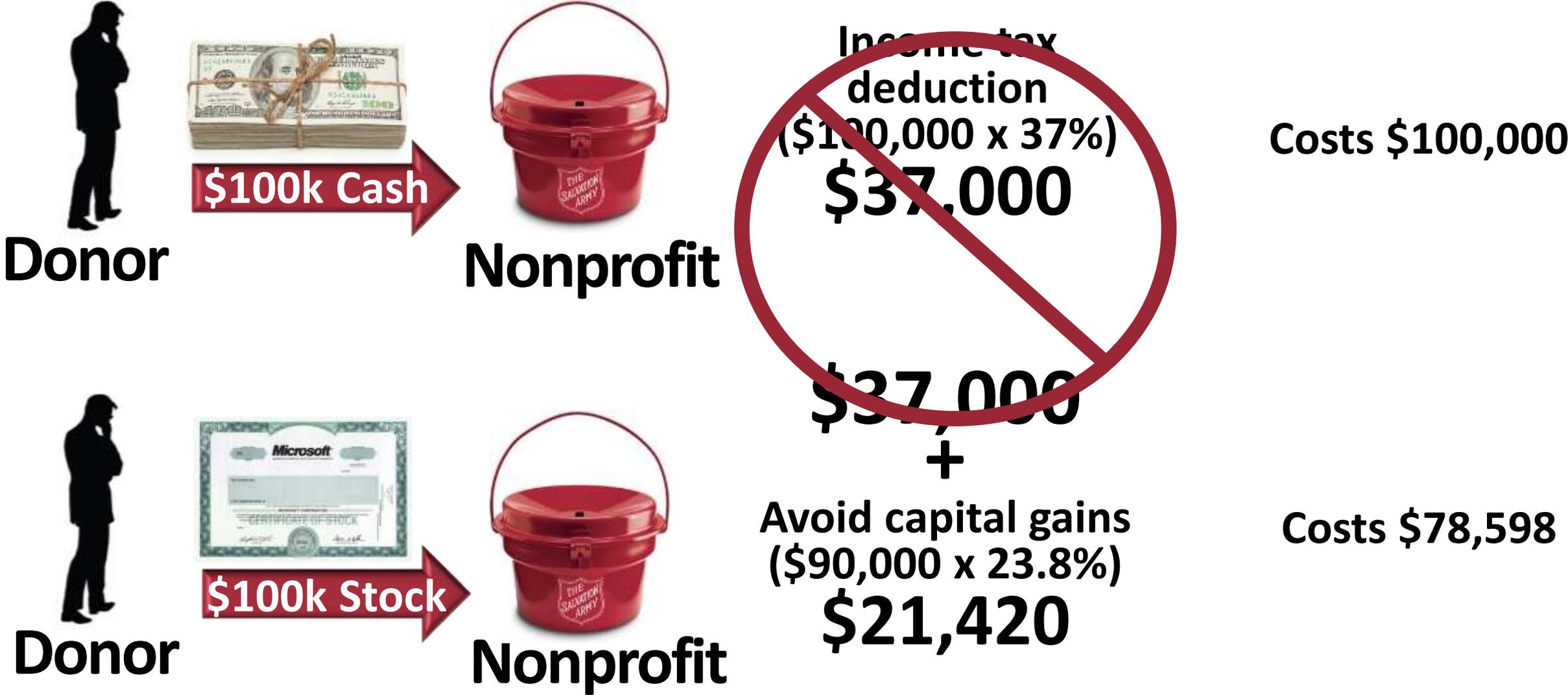
  

Donor **\$100k Stock** **Nonprofit**

\$37,000
+
Avoid capital gains
(\$90,000 x 23.8%)
\$21,240

Costs \$41,760

Asset gifts are cheaper for non-itemizers



Asset gifts are cheaper for non-itemizers (especially with state capital gains taxes)


Donor



\$100k Cash


Nonprofit

~~Income tax deduction
(\$100,000 x 37%)
\$37,000~~

Costs \$100,000


Donor



\$100k Stock


Nonprofit

~~\$37,000~~
+
Avoid capital gains
(\$90,000 x 23.8%)+
(\$90,000 x 6%)
\$26,820

Costs \$73,180

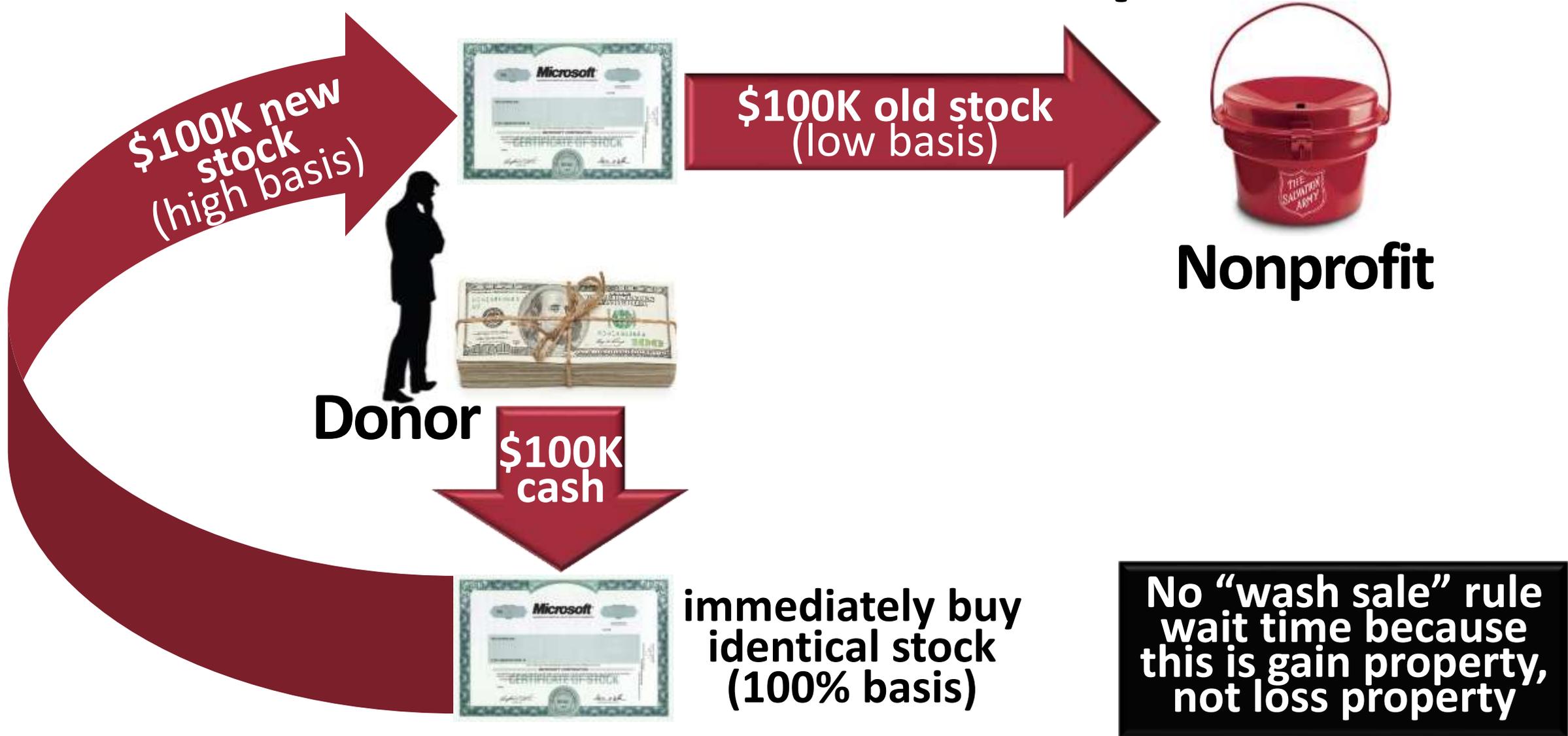


Tax avoidance with charitable giving

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No need to change your portfolio!

The Charitable Swap



\$100K new stock (high basis)

\$100K old stock (low basis)

Nonprofit

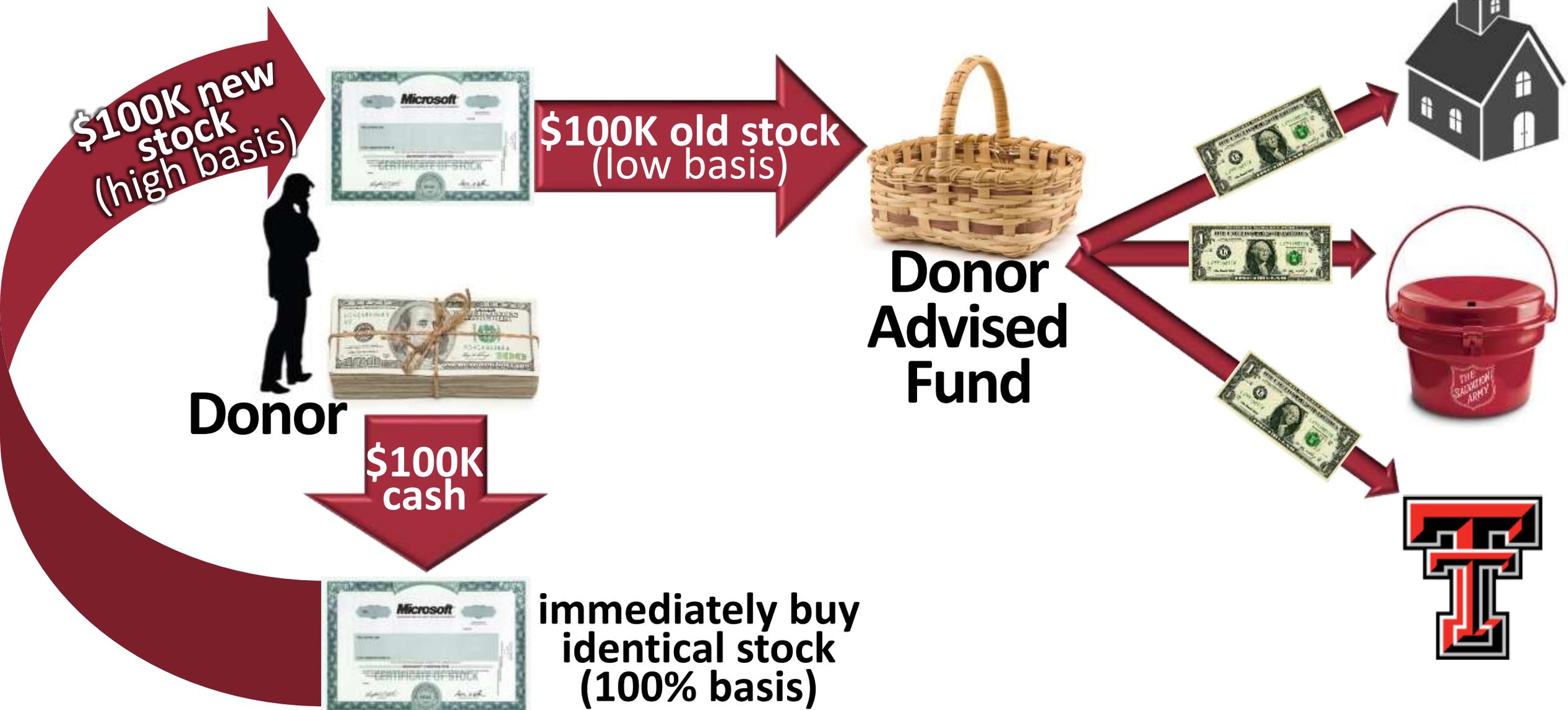
Donor

\$100K cash

immediately buy identical stock (100% basis)

No "wash sale" rule wait time because this is gain property, not loss property

The Charitable Swap with a DAF





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Life stages of a retirement account



Early distribution (before 59 ½)



Regular distribution (59 ½ to 73)



Required minimum distribution (73+)

Giving after 73

After age 73 participants must take required minimum distributions (account balance / remaining life expectancy) or pay 25% penalty



Giving after 73

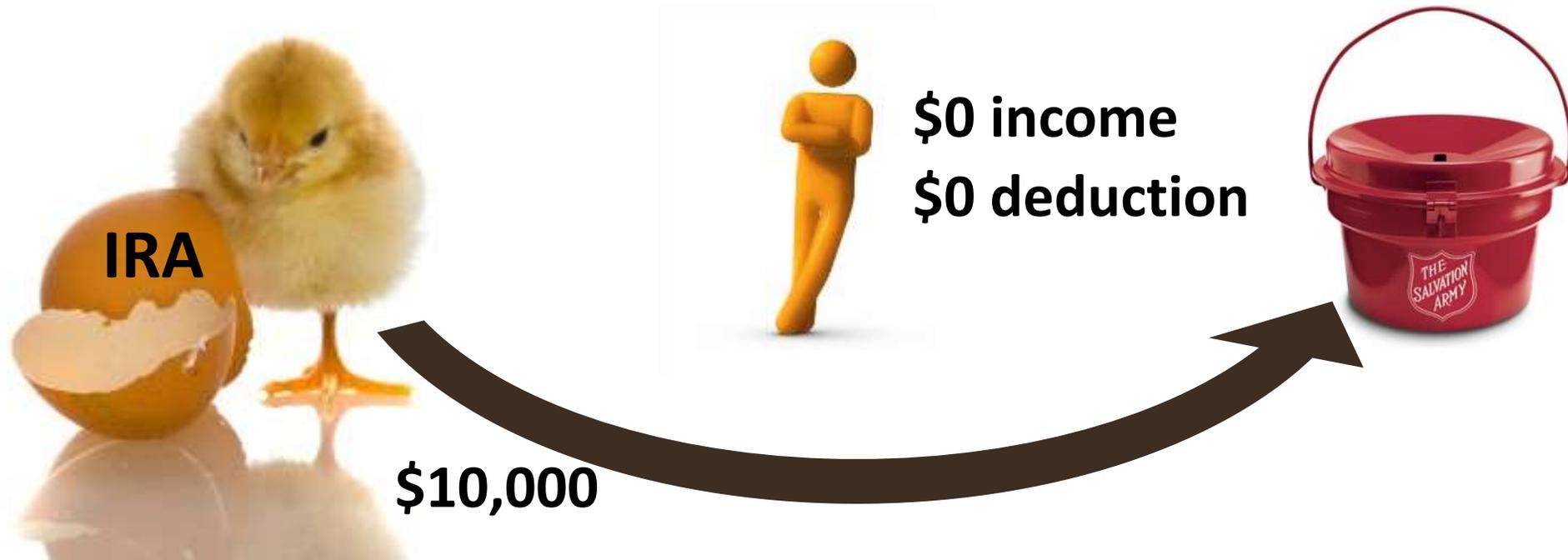
If the income is not needed, a charitable gift deduction ***might*** offset the income

(if itemizing *and* no income giving limitations exceeded *and* no negative effects from increased AGI *and* not in the wrong state)



Giving after 70½

A Qualified Charitable Distribution (QCD) eliminates both the income and deduction



Qualified Charitable Distribution (QCD)

IRAs or IRA rollovers only; no 401(k), 403(b), SEP, SIMPLE, pension or profit sharing plans unless moved into IRA rollover

After giving more than all post 70½ deductible IRA contributions

Participant 70½ or older

No private foundations or donor advised funds



\$105,000
(2024)
per person
maximum



\$0 income
\$0 deduction



\$10,000



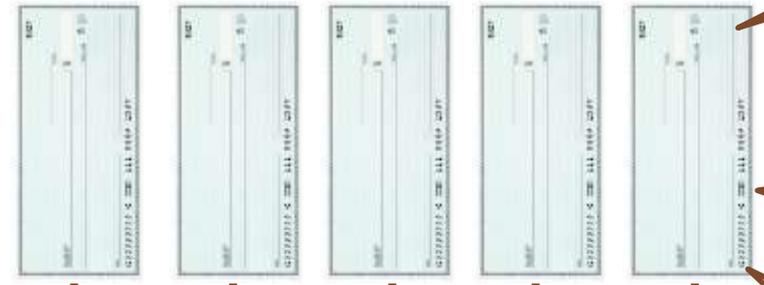
New for 2023, transfer to a charitable gift annuity



Payable only to participant and spouse [non-assignable!]

Entire amount counts toward RMD

\$53,000
(2024)
per person
maximum
lifetime



100% taxable income

5% min payout



...



2024 2025 2026 2027 2028 ... Death

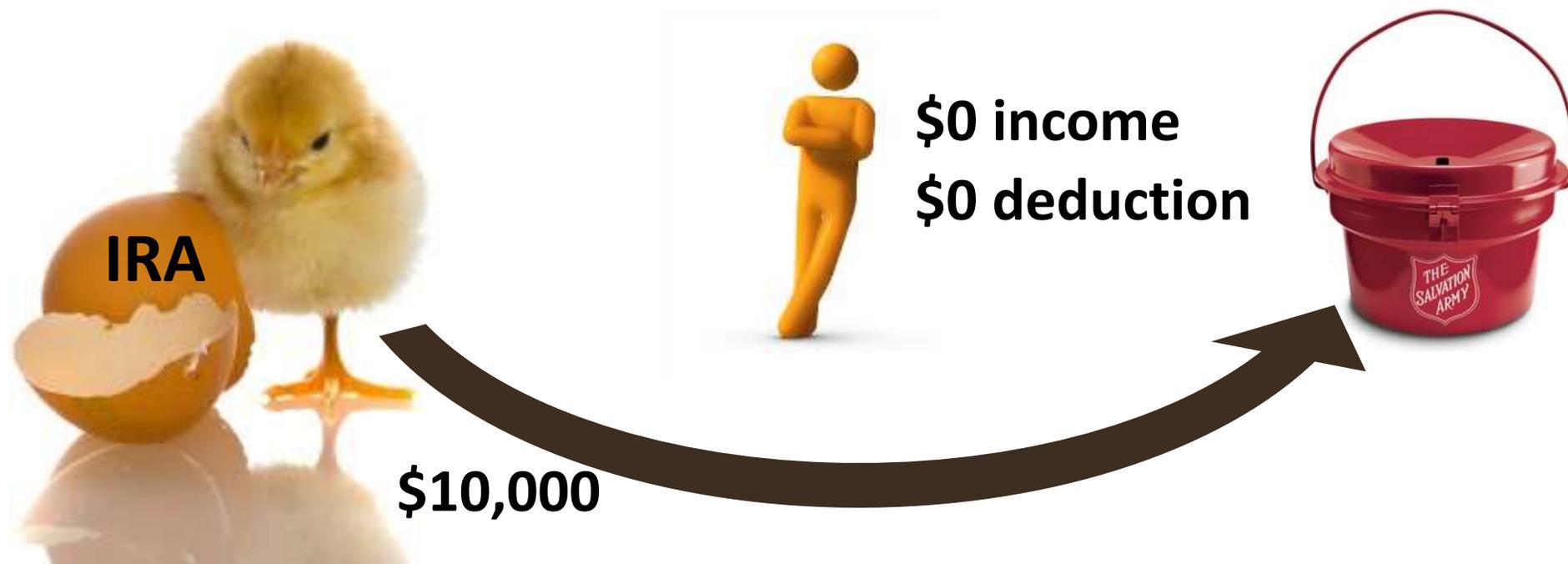


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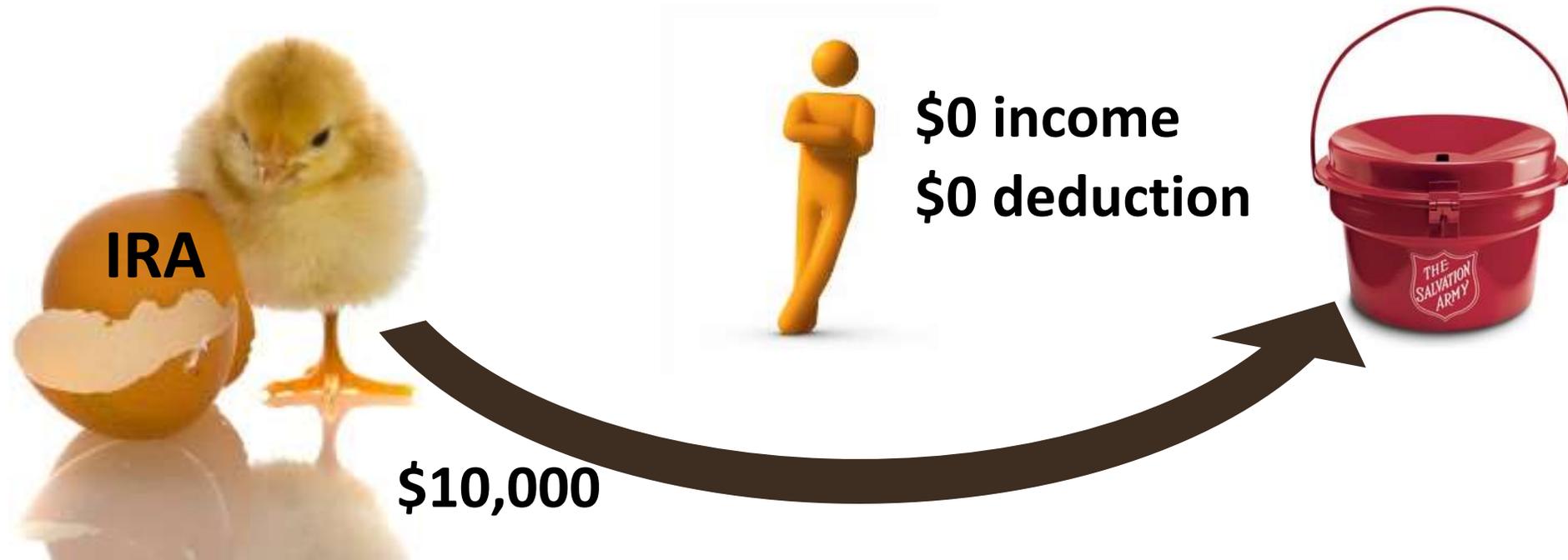
Giving beyond or without an RMD

- Income taxes must be paid on this money sometime unless it is transferred to charity.
- Tax avoidance (QCD) is more efficient than a tax deduction.
- It is much more efficient than an unused tax deduction (not itemizing).



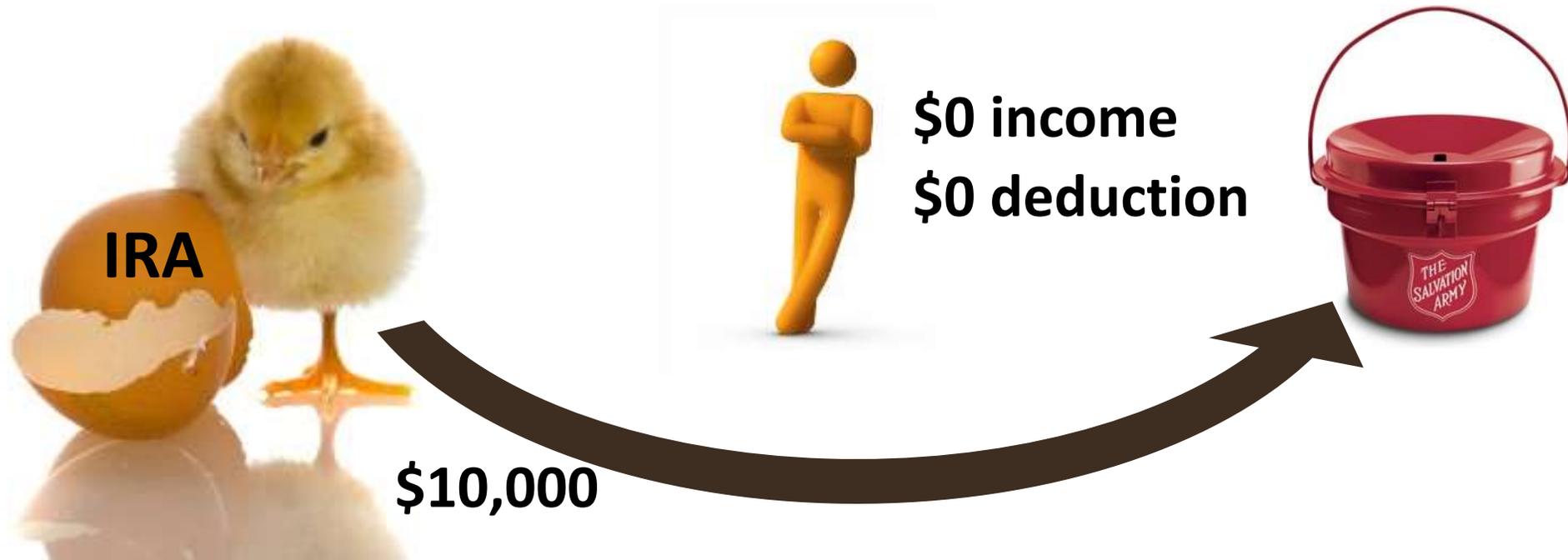
How much can a donor age 70½ + transfer via QCD?

1. If their RMD is \$25,000? Answer: \$105,000.
 2. If their RMD is \$0? Answer: \$105,000.
 3. If their RMD is \$200,000? Answer: \$105,000.
 4. If their RMD is \$2 Million? Answer: \$105,000.
- (Hint: The answer is always \$105,000.)



You must first convert other plans to an IRA rollover

- Warning: Any RMD in the year of conversion must be paid out! (The QCD doesn't fix this.)
- Solutions: Convert prior to first year of RMD. Starting talking when approaching age 70 ½, not 73!





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**Retirement
plan assets
inherited by
non-charitable
beneficiaries
are reduced by
income tax**

**A client with a
\$1MM IRA and
a \$1MM house
wants to leave
one to her child
and one to
charity**

**Does it matter
which goes
where?**



IRA(child); House(charity)

\$1,000,000 House
\$1,000,000 to charity

\$1,000,000 IRA
-\$370,000 (37% federal income tax)
-\$144,000 (14.4% California state
income tax)
\$486,000 to child

**SECURE now requires
faster withdraw (10
years)**

IRA(charity); House(child)

\$1,000,000 IRA
\$1,000,000 to charity

\$1,000,000 House
-\$0 (no income tax)
\$1,000,000 to child



Easy answers to a misunderstood issue

Problem? Charities are not “designated beneficiaries,” so might accelerate RMDs for other beneficiaries.

No problem! Solutions:

- Payout charity share before September 30 of year following participant death.¹
- Beneficiaries can separate accounts by end of year following participant death.²
- If spouse is beneficiary, simply roll that share into spouse’s IRA
- Separate IRAs into a 100% charitable and 100% non-charitable account before death (+ RMDs can be taken from either to match desired plans)

1. Treas. Reg. sec. 1.401(a)(9)-4 Q&A 4(a) 2. Treas. Reg. sec. 1.401(a)(9)-8 Q&A 2(a)





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Getting the government to match your charitable gift makes your giving more powerful

The government pays part of the cost of your gift with

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(Even more powerful!)



The problem with tax deductions



- With higher standard deductions, fewer people itemize
- If you aren't itemizing, you can't use charitable tax deductions, right?
- Not so fast ...



6. The “bunching” solution

For non-itemizers, consider bunching donations into BIG giving years

\$13,850
Standard Deduction

\$10,000
Deduction too small



Year 1

\$10,000
Deduction too small



Year 2

\$10,000
Deduction too small



Year 3

\$10,000
Deduction too small



Year 4



Year 1
\$40,000
Deduction



**Donor
Advised
Fund**

\$10,000



Year 1

\$10,000



Year 2

\$10,000



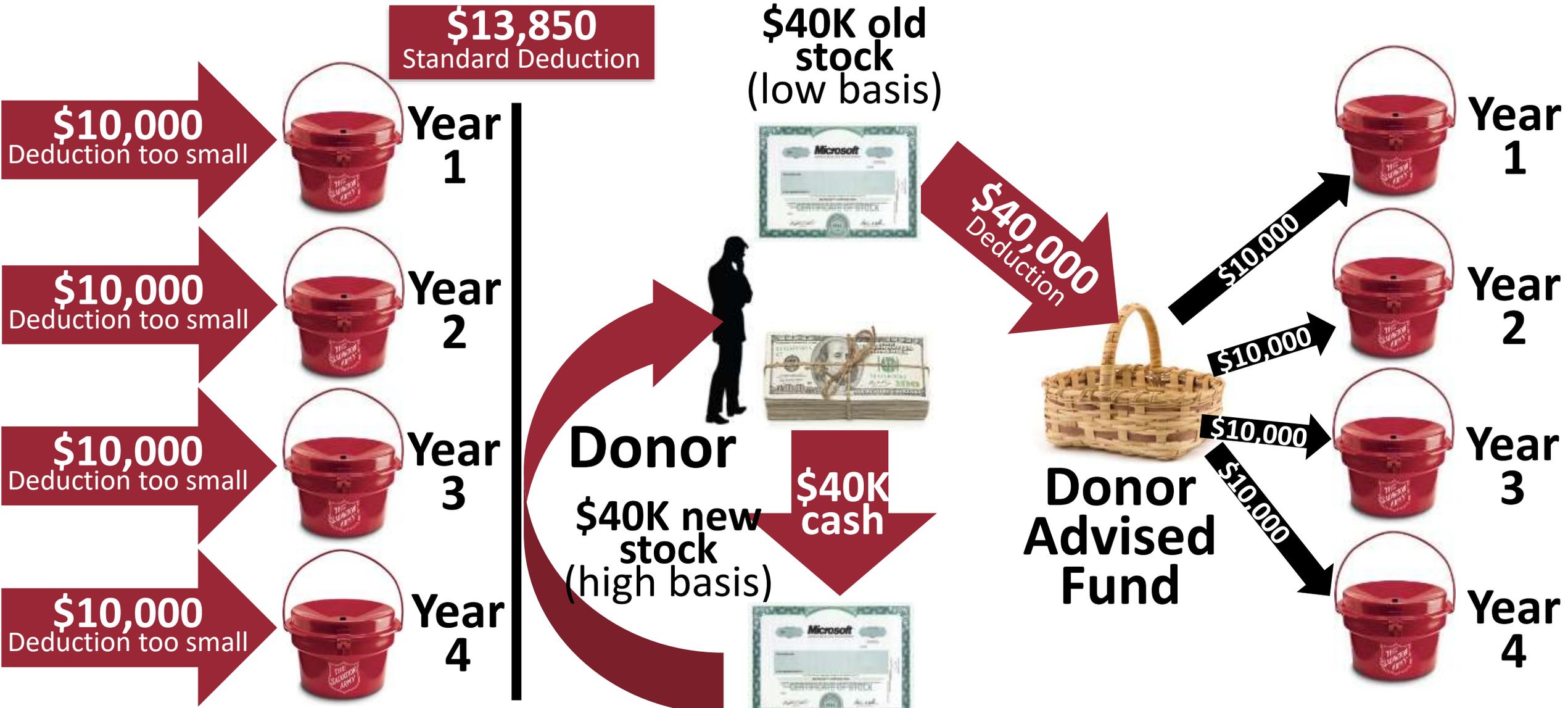
Year 3

\$10,000

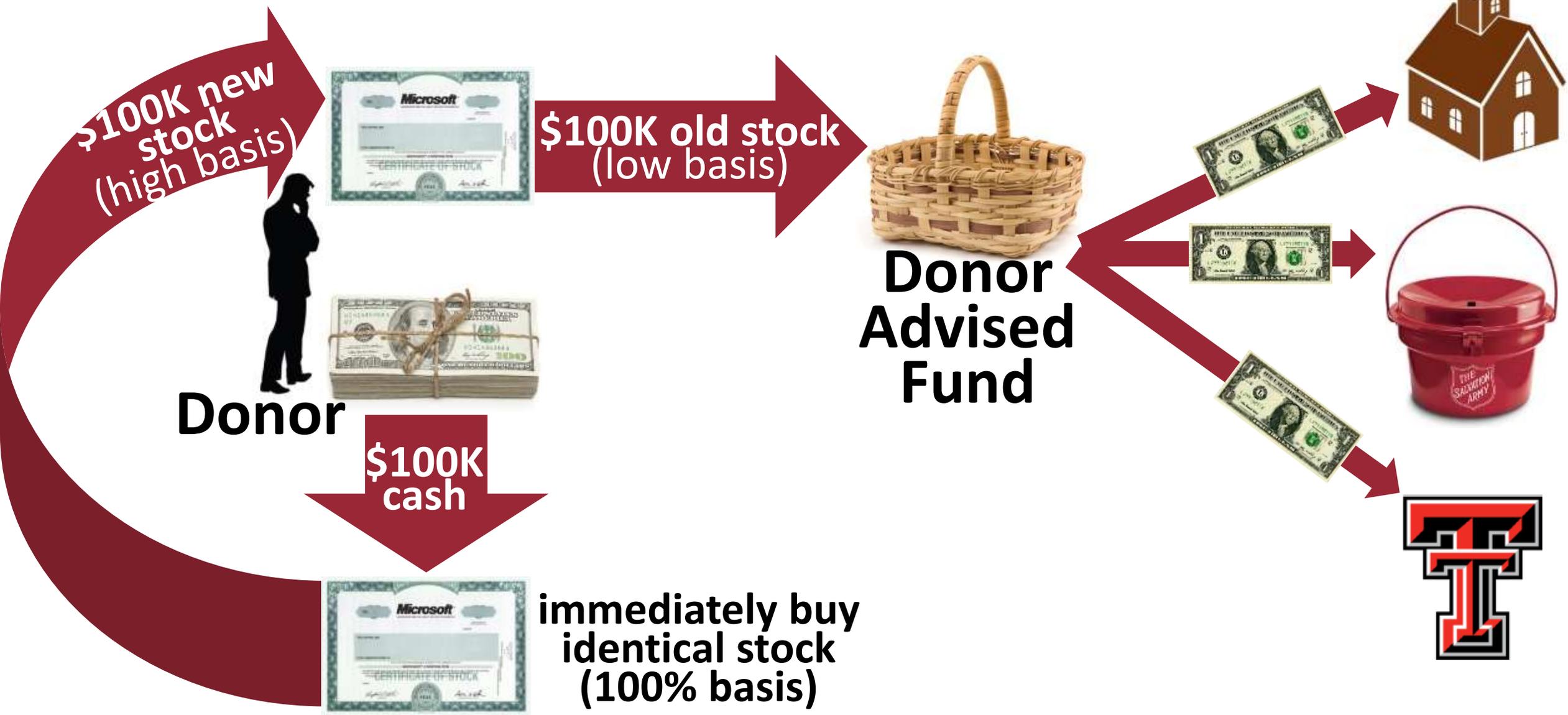


Year 4

Smarter bunching with asset gifts



Just a Charitable Swap with a DAF



Tax benefits for non-itemizers

- **Donate appreciated assets**
- **Donate from IRA or IRA rollover**
- **Bunch donations into big giving years**

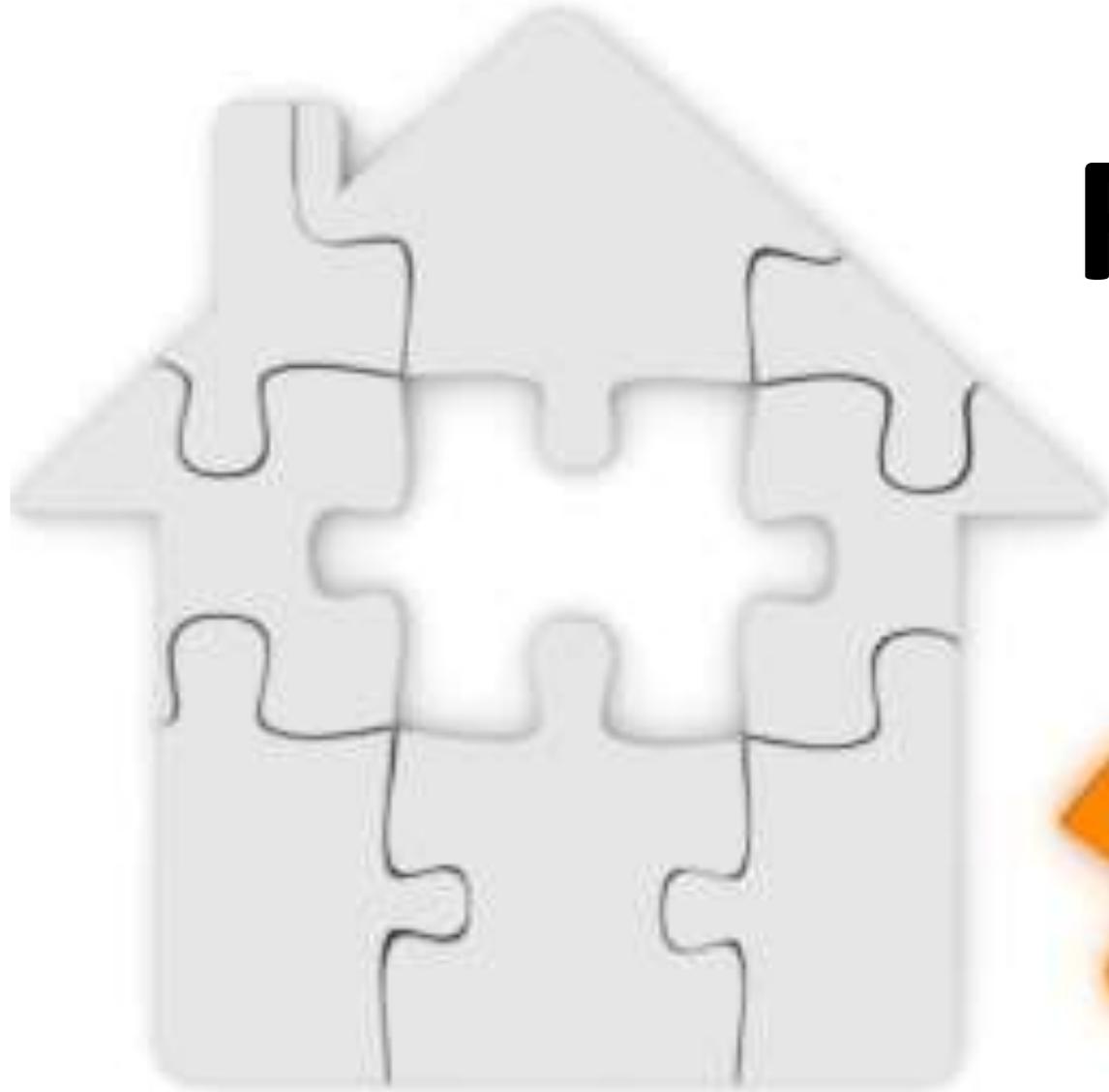




Using
charitable
deductions

- 7. Get an immediate deduction for donating inheritance rights to homes or farmland**

Retained Life Estate Deeds for Homes and Farmland



A retained life
estate deed can
give the
inheritance rights
to a charity

**OK,
you can
have my
stuff now.**

Charles A. Donor



Remainder Interest

Unlike a will,
a retained life
estate deed is
not revocable



Transferred by recording a deed

(not by trust or contract)

e.g., “To John A. Donor for life,
remainder to Texas Tech
Foundation, Lubbock, TX 70409”



Remainder Interest

Donating inheritance rights to personal residences or farmland with a retained life estate deed creates a charitable tax deduction



**Includes second homes,
vacation homes, even a
boat with bathroom,
cooking, and sleeping
facilities, if used by the
donor as a residence**



Charitable deduction for remainder interest deed with retained life estate in \$1,000,000 of farmland by age 55 donor



11.6% (May 89)

\$122,350



0.4% (November 20)

\$903,710

Some people use the tax savings to buy life insurance for heirs who weren't going to use the farm or house anyway

- 1% = \$779,640
- 2% = \$616,350
- 3% = \$494,000
- 4% = \$401,310
- 5% = \$330,320

Section 7520 rates

As interest rates rise, use either of prior two-month rates to lock in the bigger deduction

12%
10%
8%
6%
4%
2%
0%

May-89 Feb-90 Nov-90 Aug-91 May-92 Feb-93 Nov-93 Aug-94 May-95 Feb-96 Nov-96 Aug-97 May-98 Feb-99 Nov-99 Aug-00 May-01 Feb-02 Nov-02 Aug-03 May-04 Feb-05 Nov-05 Aug-06 May-07 Feb-08 Nov-08 Aug-09 May-10 Feb-11 Nov-11 Aug-12 May-13 Feb-14 Nov-14 Aug-15 May-16 Feb-17 Nov-17 Aug-18 May-19 Feb-20 Nov-20 Aug-21 May-22 Feb-23 Nov-23 Aug-24



Leaving land to charity **by will**

- Revocable
- \$0 income tax deduction



Leaving land to charity **by retained life estate deed**

- Irrevocable
- Immediate income tax deduction
- Immediately increases donor's available cash by lowering taxes



Using charitable deductions

7. Get an immediate deduction for donating inheritance rights to homes or farmland
8. **Combine deductions and Roth conversions**

Roth conversions and charitable planning can work together to match

Income



Deductions





Taxable

Roth Conversion



Tax Free

**\$1MM in standard IRA
(withdraws are taxable)**

**\$1MM in Roth IRA
(withdraws are tax
free, including
future growth)**

**Conversion creates
\$1MM in immediate
income**

Where can I find offsetting deductions?



Where can I find offsetting deductions?



- Donating appreciated assets
- Charitable remainder trust
- Charitable lead trust (grantor)
- Charitable gift annuity
- Donor advised fund
- Private foundation
- Give inheritance rights to a residence or farmland to a by retained life estate deed



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