

2010 Year End Giving Tax Savings Tips

High income earners considering making charitable donations could benefit more by doing so in 2010 as 2011 appears to be bringing less favorable deduction tax savings, according to Gerry Saelzer of The Saelzer / Atlas Wealth Management Group at Raymond James & Associates, Inc. in Stuart, Florida. Below is his summary of the current and pending charitable giving landscape and how donating in 2010 should create more value for high-income earners.

- ☑ Income tax rates are scheduled to go up in 2011, topping out at 39.6% with the capital gains tax rate rising from 15% to 20%. Ordinarily, taxpayers save more from charitable contributions when tax rates are high but that may not be the case after 2010, if certain itemized deduction cutback proposals become law.
- ☑ President Obama has proposed capping charitable deduction tax savings at 28% for donors in the 36% or 39.6% tax brackets, in 2011 and later years. So a \$10,000 gift by a donor in the highest bracket would reduce taxes by only \$2,800 in 2011, not \$3,960. If that proposal does not pass Congress, a bill introduced last year could limit deduction savings to 35% for those in the highest brackets.
- ☑ The Code 68 deduction cutbacks for high-income taxpayers (sometimes called the “3% haircut”) will be reinstated in 2011. For 2009, one percent of AGI in excess of \$166,800 was shaved from certain itemized deductions, up to 80% of affected deductions – including charitable contributions. The cutbacks have been phased out completely for 2010, but should be restored to the full 3% reduction after 2010. Taxpayers with excess AGI of \$130,000, for example, would lose \$4,000 in deductions in 2011. Taxpayers with excess AGI of \$1 million, for example, would lose \$30,000 in deductions in 2011.

Because charitable contributions in 2010 face none of the above impediments, donors may wish to make a gift to a capital campaign or annual fund before December 31st.

For more information please contact Gerry Saelzer, financial advisor, Raymond James and Associates, Inc. at 772-221-3374.

NOTE: As federal and state tax rules are subject to frequent changes, you should consult with a qualified tax advisor prior to making any investment decision. AGI is a measure of Income used to determine how much of your income is taxable. Adjusted gross income (AGI) is calculated as your gross income from taxable sources minus allowable deductions, such as unreimbursed business expenses, medical expenses, alimony, and deductible retirement plan contributions.