

## TAKING ADVANTAGE OF TAX DEDUCTIONS

Thank you for considering a gift or pledge to the Habitat for Humanity Capital Campaign!

Congress designed tax laws to encourage people to support local and national activities through charitable giving.

If communities and organizations can improve the quality of life apart from or in cooperation with the government, the government won't be asked to do as much. Congress thinks that's a good thing.

Anyone who itemizes their deductions can reduce their taxes by making charitable gifts. Gifts to the Habitat for Humanity Capital Campaign are deductible to the full extent of the law.

The Habitat Campaign is underway.

Together we can make a difference, and support the Winona and Fillmore County area far into the future.

**Everyone's circumstances are unique, and you should consult with your professional advisor.**

*"There is no exercise better for the heart than reaching down and lifting people up."*

— John Holmes, author and veteran



### Habitat for Humanity Winona-Fillmore Counties

PO Box 1182  
Winona, MN 55987

Phone: 507-457-0003  
Email: [director@habitatwinona.org](mailto:director@habitatwinona.org)

## TAX-WISE GIVING

### Habitat for Humanity Capital Campaign



**OUR MISSION:** *Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope.*

## GIVING STOCK OR MUTUAL FUNDS

Winona and Fillmore area financial advisors make a special issue of using assets other than cash to make charitable gifts or fulfill pledges.

Anyone who bought stock 20 or so years ago may have a potentially lucrative asset to use in making charitable gifts, such as to the Habitat Capital Campaign.

A case in point, an individual purchased shares of XYZ stock more than 10 years ago. For purposes of this example, the stock sells for about \$50 per share today, while the original cost, after taking into account stock splits and dividend reinvestment, was only \$8.50. If that stock were sold, capital gains tax would be figured on the \$41.50 difference between the cost basis and the current value. On the other hand, if the stock is given directly to the Habitat for Humanity Capital Campaign, there would be no capital gains tax, and the full fair market value may be deducted on the date of the gift up to a percentage of the taxpayers' income.

Mutual funds may also be used in this manner. By donating shares of a mutual fund to the campaign, the individual gets the full benefit of the

increase in value by claiming its full fair value as a deduction and avoid any income tax on the gain.

## APPRECIATED PROPERTY

Most forms of appreciated property such as land, buildings, houses or crops make good giving vehicles. Farmers in particular have unique opportunities to make tax wise gifts. For example, when farmers sell their crops to the elevator, they not only have to pay income tax on the profit, but they also have to pay self-employment tax. If, on the other hand, they deliver a load of corn or beans in the name of Habitat for Humanity Capital Campaign, they don't have any income on that portion of the crop; thus no income or self-employment tax on it either.

## IN-KIND CONTRIBUTIONS

With in-kind donations, the responsibility is on the donor to value the donation. When donating goods, the nonprofit must provide written acknowledgement to the donor. The value of the donation is up to the donor. If believed to be in excess of \$5,000 in value, it is generally obtained from IRS qualified appraisal. Generally personal services are not deductible, however, the expenses associated with providing such services are. For example, if a builder

authorizes employees to use company time and materials to provide services, then payroll and associated costs are deductible, in addition to expenses directly related to the service. It is important for the donor to keep detailed records.

## REDUCING ESTATE TAXES

Estate taxes start at 18% and 35%. If a person in the 35% tax bracket gives appreciated property rather than selling it, income tax savings can mean the government is picking up more than 20% of the cost of the gift. Adding in state tax savings can mean that a person's net, out-of-pocket cost of giving can be as little as 20 to 30 cents on the dollar.

**It is a wise decision for those considering structuring their gift in a tax-wise manner to consult with tax professionals.**

Every situation is different. It is important to talk to someone who knows your situation and may properly advise you on how the tax laws will apply to you.