

VISUAL STUDIES WORK SHOP

Charitable Giving

As you plan your charitable giving for the year, we ask you to consider donating to support Visual Studies Workshop. The VSW Board prepared this document to help explain ways to donate that benefit both you and VSW. This document touches on two different approaches: charitable donations from your retirement account and charitable donations from your taxable account

Retirement Accounts

For those who have to make required minimum distributions (RMD's), making a donation directly to a charity from your retirement account could make a lot of sense. When you make a Qualified Charitable Distribution (QCD), the donation amount is excluded from your taxable income, and satisfies your RMD.

If you have decided that you want to make a charitable donation to VSW and you have an RMD that needs to be satisfied, you have two choices; take your RMD and then donate to VSW or make the donation directly from your IRA to VSW via a QCD.

For example, if your RMD is \$5,000 and you want to donate the net amount of your RMD, if you take that amount out of your retirement account to satisfy your requirement, that \$5,000 is considered taxable income. As in the example above, if we assume you are in the 24% federal tax bracket, you will pay an additional \$1,200 in taxes and your donation amount will be \$3,800. Alternatively, if you made a QCD, the \$5,000 would be tax free to you since it is excluded from your taxable income and the donation amount would be the full \$5,000.

Again, this is a win-win for both you and VSW.

Taxable Account

Leveraging the appreciation of assets such as stocks, to make a charitable gift to VSW can help maximize your philanthropic impact and reduce your taxes.

Giving to a public nonprofit may traditionally involve writing a check, but more donors these days maximize their giving with assets, such as stocks. Donating appreciated stock can often be more helpful for both the charitable organization and the donor. And if you are philanthropically minded and have accumulated significant gains from investments, this strategy could make sense. Here's how it works.

Focus on high-value, low cost basis investments

Selling appreciated assets can generate large capital gains. But if philanthropy is part of your overall plan, donating a long-term capital asset to charity can allow you to enjoy a double tax advantage:

- § You can potentially eliminate the capital gains tax you would owe if you sold the asset.

- § You may deduct your donation (subject to applicable limitations) based on the asset's fair market value.

In addition, the possible elimination of capital gains tax on the sale of an asset can also increase your donation amount to the nonprofit. Because they are tax-exempt organizations, 501(c)(3) nonprofits can then sell these assets without any tax consequences.

While tax benefits should not be the primary consideration for charitable giving, they are part of the equation. A good philanthropy strategy addresses the overall impact on the donor as well as the recipient of a gift.

Minimize taxes, maximize impact

For example, a direct charitable gift of appreciated stock with an original cost basis of \$5,000 and a fair market value of \$10,000 could save you more on taxes and increase your giving capacity compared to selling the stock and donating the proceeds.

	Sell stock and donate after-tax proceeds	Donate stock directly to a nonprofit
Long-term capital gains taxes	\$1,000 capital gains tax (\$5,000 x 0.20)	\$0 capital gains tax
Charitable gift and tax deduction	\$9,000 charitable gift (\$10,000 - \$1,000)	\$10,000 charitable gift
Tax savings at 24% tax bracket	\$1,160 (\$9,000 x 0.24 - \$1,000)	\$2,400 (\$10,000 x 0.24)

This hypothetical example is for illustrative purposes only. The example assumes an original cost basis for the stock of \$5,000 and federal long-term capital gains tax rate of 20%, and the tax filer in the 24% federal tax bracket. This example does not take into account any state or local taxes or the Medicare net investment income tax. The tax savings is the tax deduction multiplied by the donor's income tax rate of 24%, minus the long-term capital gains taxes paid.

To receive this double tax advantage, you must have held the asset for more than a year before donating it. Keep in mind that, in most cases, the IRS generally limits deductions for long-term noncash donations to 30% of your adjusted gross income (AGI), versus 60% of AGI for cash donations.

A potential win-win

As the example above illustrates, donating stock can be a way to increase the value of your gift, potentially benefiting both you and VSW. By donating \$10,000 of appreciated stock, VSW would receive the full value, which would be \$10,000, as opposed to the stock first being sold and the proceeds being donated, which would be \$9,000. As the donor, you would be able to deduct the full value, which would be \$10,000 as a charitable donation, potentially saving you \$2,400 in taxes, as opposed to a potential tax savings of \$1,160 if the stock was sold first and cash donated.

To receive a charitable donation tax deduction, your donations and other itemized deductions must exceed the standard deduction. For 2025, the standard deductions are:

- Single - \$15,000
- Married filing jointly - \$30,000
- Married filing separately - \$15,000
- Head of household - \$22,500

What is next?

If you would like to learn more or are ready to make a donation, please reach out to jessicajohnston@vsw.org or visit the VSW [website](#) donation page.