**Tom Mullooly:** (00:00) In episode 271, we talk about, can you donate cash to a charity. Stick around.

**Tom Mullooly:** (00:18) Welcome to the Mullooly Asset Show, I'm your host, Tom Mullooly, and this is episode number 271. Two of the questions that we get asked quite a lot are: "Hey, can I make a gift of cash to a charity?" The flip side of that is, "How do I make a gift to my favorite charity?" The simple answer is can you donate cash to a charity? Yes, absolutely. You can make a gift of cash or appreciated securities or both. You need to know who you're making donations to though. There are public charities, which are sometimes called 50% charities, and then there's private charities, which are called 30% charities. And let me just spend a moment talking about this.

**Tom Mullooly:** (01:07) What's an example of a public charity? Church, school, hospital. Most nonprofit organizations are going to be 50% charities or public charities. And people say, "Wait a minute. Rutgers is a public university, but Holy Cross is a private school. What's the...?" They're both public charities. So what's an example of a private charity or a 30% charity? Well, an example of that would be a private foundation, a fraternal order, war veterans organizations. Those are a little different.

**Tom Mullooly:** (01:49) And so in 2021, understand that you can deduct cash gifts of up to 60% of your adjusted gross income. Now that could change in 2022. And so I want to just circle back and say the next question that we get asked is, "Why do you refer to these as 50%?" So I just mentioned that you could deduct up to 60%. That's true in 2021. Prior to that and very possibly in the future, we're going to see you could deduct cash gifts of up to 50% of your adjusted gross income. That's why they're called 50% charities. The Tax Act of 2017 raised this 50% to 60% temporarily. Now that's cash gifts. And I want to say that there are chapters and chapters and chapters of the IRS code that explain this. I'm boiling this down to a four-minute video. So I am massively simplifying this. And of course it's not tax advice.

**Tom Mullooly:** (02:59) But what about giving stock? What about giving a gift of appreciated property to your favorite charity? Understand that the fair market value of your gift can exceed 30% of your adjusted gross income that year. It's a big deal. It's important to know. So now there's always a caveat. There's always an unless. That is the unless the client decides to use cost basis, instead of fair market value. If that's the case, then they can use cost basis and they can go up to 50% of their AGI. It's pretty rare to see someone use cost basis over fair market value, but it's always worth a look when you're going to make a gift of these kind of securities.

**Tom Mullooly:** (03:56) Now in the previous video, which we'll link to in the ship notes, we talked about making gifts to individuals and why we think it's a good practice to make cash gifts to individuals. The reason why we say that is because if you give an individual appreciated stock, at some point in the future, they're going to sell that stock and it's, they have your cost basis in the stock. So suppose you put $10,000 into a stock and years later it's worth $100,000. You make a gift to an individual. Their cost basis is $10,000. They've got to pay taxes on $90,000 of gains. However, if you made the same gift to a public charity, you're going to find that they can sell it and get fair market value for it without any kind of tax, because they're a nonprofit organization and you get a deduction for the fair market value of your gift.

**Tom Mullooly:** (04:58) You need to take time when you're thinking about kind of gifts to make and how they're structured and how it all fits in with your adjusted gross income. That's the message for episode 271. Thanks again for tuning in.