




**Fundamentals of Planned Giving**  
**Part One:**  
**Tax Fundamentals**

**Presenter:** Craig Wruck  
 Senior Advisor, PG Calc

**Date:** July 7, 2026  
**Time:** 1:00 – 2:30 Eastern

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**Agenda**

- Income tax
  - Effective and marginal tax rates
  - Capital gains tax
- After-tax cost of giving
- Donor nuts and bolts
- Transfer tax
- Split interest gifts

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**Federal Tax System**

- Income tax system
  - Income tax – on earned income
  - Capital gains tax – on investment profit
- Transfer tax system
  - Estate taxes – on transfers at death
  - Gift taxes – on gifts during lifetime

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## After-tax Cost of a Gift

After-tax Cost of Giving	
	Value Contributed
Minus	Taxes Saved or Avoided
Equals	Cost of Giving

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## Individual Income Tax

Taxable Income	
	Gross Income
Minus	Adjustments to Income
Equals	Adjusted Gross Income (AGI)
Minus	Certain items – including charitable contributions – may be deducted, but only if total exceeds the "standard deduction" amount (in 2026: \$32,200 married filing jointly, \$16,100 individual)*
Equals	Taxable Income

\*Amounts adjusted for inflation each year

**Note:** Taxpayers over 65 add another \$1,650; a married couple filing jointly has a standard deduction of \$35,500.

**"Senior Deduction"**  
And another \$6,000\* for those over age 65 means a married couple, both age 65 could deduct \$47,500.  
\*Phased out when income exceeds \$150,000/\$75,000; expires after 2028

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## Graduated and Progressive Rates

- Rates apply to taxable income
- Rates range from 10% to 37%
- Effective rate is less than marginal rate
- Key point:  
Charitable deductions reduce taxable income which saves *taxes at the highest marginal rate*

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### Amount of Deduction

- Publicly traded securities: average between the high and low prices on the date of the gift
- Other non-cash gifts: "fair market value" – the price arrived at between a willing buyer and a willing seller both having equivalent knowledge, neither being compelled to complete the transaction
- More than \$5,000 – qualified appraisal required to determine value

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### After-tax Cost of a Gift

Assume a donor in the 24% tax bracket is considering a contribution of \$10,000 either in cash or in appreciated securities with a cost basis of \$2,000 (\$8,000 gain)

	Cash	Securities
Contribution	\$10,000	\$10,000
Income taxes saved	2,400	2,400
Capital gains taxes avoided	- -	1,200
After-tax cost of gift	\$7,600	\$6,400

**Remember:** The capital gains tax savings apply even if the donor does not itemize.

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### Deduction Limits

- 60% of AGI – maximum deduction in any one year for cash contributions
- 30% of AGI – maximum deduction for contributions of appreciated property
- 5-year carryover for unused deductions
- Gifts to private foundations subject to lower limits: 30% cash, 20% appreciated property

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### Deduction Floor and Tax Savings Ceiling

- Total charitable contributions must exceed 0.5% of Donor's "Contribution Base" before charitable deductions begin
  - Contribution Base is AGI without Net Operating Loss Carry forwards
- Tax savings (for all itemized deductions) is limited to 35%
  - Affects only those in the 37% bracket (\$768,701 / \$641,601 in 2026)

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### Quid Pro Quo Reductions

- Amount of deduction is reduced by value of goods or services made available as a result of contribution
- Applies to all premiums offered as a result of contribution as well as "benefit" events
- Must be disclosed in solicitation
- Applies if goods or services are offered – *whether or not they are accepted*

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### Date of Gift

Year in which the deduction can be taken depends upon date of gift – generally when the donor irrevocably surrenders control of the gift

By mail	Postmark date
Delivered	Date delivered
Credit card	Date charge authorized
Electronic transfer	Date completed by bank
Physical securities	Date delivered in negotiable form
Brokerage account	Date entered into charity's account

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## Substantiation Requirements

- Donors must have written acknowledgement to substantiate income tax charitable deductions
- Non-cash gifts
  - \$500 or less – estimate value on Schedule A
  - \$501 through \$5,000 – estimate value, complete Form 8283 explaining valuation methodology\*
  - Over \$5,000 – qualified appraisal, complete Form 8283 with charity acknowledgement

\* Deductions over \$500 for contributions of clothing require appraisal

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## Coming attractions...

Join us for Session 3 to learn more about:

- Personal property
- Ordinary income property
- Short-term capital gain property

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## Transfer Taxes (aka: the "Death Tax")

- Tax *paid by the giver* whenever something of value is transferred or given to another individual
- Annual gift exclusion: \$19,000 per individual
- Lifetime exclusion: up to \$15,000,000 tax free
  - Cumulative total of lifetime gifts plus gifts at death
  - Unlimited exclusion on transfers to spouse
  - Portability of unused deceased spouse's exclusion (i.e., married couple can transfer up to \$30,000,000 without transfer taxes)
- 40% rate on taxable transfers

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## Transfer Taxes

- "Carry over basis" for lifetime transfers: whenever property is sold, recipient pays capital gains tax based upon giver's cost basis
- "Stepped-up basis" for transfers at death: eliminates capital gains tax on appreciation transferred to heirs
- Unlimited charitable deduction
- Affects less than 0.1% of Americans
  - Lifetime exclusion (\$15,000,000) adjusted annually for inflation
  - Annual exclusion (\$19,000) adjusted periodically for inflation

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## State Taxes

State tax laws affect after-tax cost of giving

- State income taxes
- Charitable deduction limitations
- State estate taxes: different thresholds
- State and local taxes are deductible from Federal taxable income:
  - Up to \$40,400 (married) or \$20,200 (single)
  - Reduced for incomes over \$505,000 (married) or \$202,000 (single) in 2026 and increasing 1% per year through 2029
  - Then dropping to \$10,000 beginning in 2030

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## Split-interest Deductions

- Donor makes irrevocable contribution but retains right to receive income
- Deduction is for amount contributed minus the estimated value of the right to receive income
- Larger deductions: older and fewer beneficiaries, smaller payouts
- Smaller deductions: younger and more beneficiaries, higher payouts

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## Charitable Midterm Federal Rate (CMFR)

- (“IRS Discount Rate,” “Applicable Federal Rate (AFR),” “7520 Rate”)
- Published monthly by IRS
- Donor can use rate for month of gift or either of prior two months
- Affects deductible amount for most planned gifts
- Higher rate: maximizes deduction for CGAs, CRTs (but minimizes tax-free portion of CGA payments)
- Lower rate: maximizes deduction for CLTs, RLEs
- Note: The current CMFR is near its long-term average of about 5%; it reached a low of 0.4% in 2020 and a high of 11.6% in 1989

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## Questions?



Click the Q&A icon at the bottom of your screen.

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## Still Have a Question?

**Contact:** Craig Wruck  
**E-mail:** cwruck@pgcalc.com

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