



GRACE LUTHERAN CHURCH

FOUNDATION NEWS

Caring for the Ministry of Grace: "Ecclesia Perpetua"

June 2018

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*The Grace Lutheran
Church Foundation is
a professionally
managed corporate
nonprofit foundation
established by Grace
Evangelical Lutheran
Church, Corvallis,
Oregon.*

Donor Advised Funds: Possible Tax Benefits

Modified from a handout by George A. Letchworth, Ph.D.

Most donors are not solely motivated by tax benefits but tax benefits often allow donors to give more and are an incentive for some.

The federal 2018 tax law allows for a standard deduction of \$12,000 for individuals, which eliminates the ability for many donors to realize a tax deduction for their charitable contributions. One strategy that allows for a tax deduction is to itemize deductions and aggregate future donations into a sum that exceeds the \$24,000 standard deduction for joint filers. An efficient way to aggregate donations is to establish a donor advised fund (DAF). DAFs allow individuals to make a large enough donation so that there is a tax benefit. The tax benefit depends on how much you exceed the standard deduction and your marginal tax rate.

When a DAF is established it is no longer the property of the donor but is owned by the 501(c)(3) charitable DAF; however, the donor "advises" the donations made from the fund. The donor can itemize the amount donated to established, the DAF in that tax year and realize a tax deduction benefit. The donor can then use the DAF fund to make future donations. The DAF is invested and the fund grows tax free and is distributed tax free to the nonprofit 501(c)(3)'s that are recommended (advised) by the donor.

When considering where to establish a donor advised fund (DAF), a donor should consider the following:

1. Is it prudent to establish a DAF or is it simpler to not consider the tax deductibility? If you only wish to give small donations and are satisfied with the standard deduction, then a DAF might not be the best option.
2. If you wish to aggregate your future donations into a DAF and itemize so you can have a tax benefit and use it for future donations, then you may wish to consider:
 - a. The amount it takes to establish the DAF and allow you to exceed the standard deduction so you can benefit from a tax deduction.
 - b. The minimum amount that you can give from the DAF.
 - c. The investment choices provided by the DAF and future returns on investments.
 - d. The investment and management fees for the DAF. Fees can make a significant difference on your return on investment and should be well understood before you establish a DAF.

Most large financial organizations offer donor advised funds.

In Service to the Ministry of Christ's Church

**Grace Lutheran Church Foundation
Financial Report**

January 1 – March 31, 2018

Contributions	\$1,665.00
Foundation Total Assets *	\$628,967.48
Expenses (includes projects funded)	\$18,376.15

Projects Approved, Pending, and Paid

MIF4KIDZ baptism “donations” for children under age 16, \$50 each	\$100.00
Grace Center distribution	\$2,095.01
Giving It Forward Initiative, 1:1 matching funds, 2017 grant	\$30,000.00
Respite care expenses for JM (<i>Brian Smith Fund</i>)	\$136.50

Memorial Funds

Altar dishes (<i>E. Erickson</i>)	\$810.00
Shelves for library	\$200.00
<i>Total Projects</i>	<i>\$43,341.51</i>

* The Foundation’s total assets on January 1, 2018, were \$651,358.98.

The Board of Directors acknowledges the generosity of the following donors:

October 2017

In Memory of Ron Walsh

Hilman and Delores Ratsch, Corvallis, OR
Bill and Nancy Strohlein, Corvallis, OR
Gertrude Ness, Minneapolis, MN
Barbara Lundblad, Minneapolis, MN
Lawrence and Sharon Rosenkoetter, Corvallis, OR

January 2018

In Memory of Eldon Erickson

Laura and David Metzger, Salem, OR

In Memory of Ron Walsh

Wanda Parrott, Corvallis, OR

February 2018

In Memory of Lee Hendershott

Ron and Kay Larson, Corvallis, OR
Norma Moody, Corvallis, OR

March 2018

In Memory of Ron Walsh

Milt Larson, Corvallis, OR

In Memory of Georgine Thompson

Lawrence and Sharon Rosenkoetter, Corvallis, OR

Tidbits on the New Tax Law and Donations

(From an alma mater)

Will a charitable gift always reduce your income tax?

If you itemize your deductions, a charitable gift will reduce your income tax. The amount of the tax savings depends on your marginal tax rate. Since marginal rates are generally lower under the new act, tax savings will tend to be a bit less than previously – but still significant. If you take the standard deduction rather than itemizing, you will not realize tax savings from a gift.

Charitable impact: Save taxes by doubling up on your gift.

If your total deductions aren’t quite large enough to justify itemizing, you might contribute in a single year the larger amounts you would normally give over a two-year period. Your total deductions for that year would then exceed the standard deduction, so you would itemize in that year and realize tax savings for your charitable gifts – then take the standard deduction the next year.

If you sell an appreciated asset, will you now pay less tax on the capital gain?

No, because the new act did not lower the tax rate on long-term capital gain (gain in assets owned more than one year). Except for lower-income individuals who pay no tax on capital gain, the rate on capital gain in securities and undepreciated real estate remains at either 15% or 20% - depending on the level of your total income.

Charitable impact: You can still save capital-gain taxes.

When you make a charitable gift using assets owned more than a year, you still receive a charitable deduction for the market value and you are not taxed on the capital gain. Because of this double benefit, giving an appreciated asset can greatly reduce the net cost of the gift.