

PIMCO EDUCATION

Charitable Giving Reference Guide

This guide shares tips for how investors can partner with financial professionals in philanthropic efforts.



Intentional Philanthropy

Individuals continue to give charitably in record-breaking numbers; in the U.S., donations exceeding \$557.16 billion in 2023¹. While the generosity of donors is to be applauded, many investors may not be giving to charity in optimal ways, and this sub-optimal giving reduces the potential benefits they and the receiving charities may otherwise enjoy.

Investors can work together with a financial advisor to help guide them in their philanthropic efforts, both in terms of charitable philosophy and execution.

This guide reviews important information to help create an effective charitable giving plan, including:

- What is and is not considered a charitable gift
- Who to consider giving to (i.e. qualified and nonqualified organizations)
- Key features of charitable vehicles
- Tax rules for charitable gifts and substantiating a claim

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Information provided is **current of January 1, 2024**. Information is subject to change without notice to you.

Charitable gifts: What qualifies?

Gift type	Description	Characteristics
Cash	Actual cash, personal checks, credit card charges, payroll deductions, gifts made electronically	The easiest way to give, especially for smaller, spontaneous gifts. Documentation from the receiving entity is needed to substantiate a tax deduction.
Appreciated investments	Stock certificates, bonds, shares of a mutual fund or ETF	A tax-efficient approach providing an immediate deduction while avoiding capital gain recognition. Best used for larger, one-time gifts.
Household items	Furniture, clothing, appliances	Items are often refurbished and sold by charities to provide funding. Valuation can be difficult to determine.
Vehicles	Cars, boats, airplanes	Resale value of a vehicle may be more accurate measure of value for tax purposes than a Blue Book reference.
Collectibles	Artwork, jewelry, antiques, stamps	Deduction may be limited if charity sells the item within 3 years of the gift.
Retirement assets	Traditional IRAs, 401(k)s, etc.	Naming a charity as beneficiary on a plan allows the value to pass tax-free to the charity. However, withdrawals from a plan that are later transferred to a charity may be considered taxable income, which can negate the value of the tax deduction for the gift.
Car expenses	Standard rate for miles driven, plus the cost of tolls and parking	Expenses related to the use of your car while supporting a charitable organization may be deductible (14 cents per mile for 2024).
Conservation easement	Area of land	Must provide public benefits such as water quality, wildlife habitat, historic preservation, etc. The value of easement can be claimed as a tax deductible charitable donation.



WHAT IS NOT CONSIDERED CHARITABLE GIFT?

- Gifts that benefit a donor are not considered charitable gifts. Contributions may need to be reduced by the value of the benefit received. Examples include:
 - Purchasing fundraiser ticket that includes a dinner. The deductible value of the gift is reduced by the value of the dinner.
 - Buying an item at a charity auction. The deductible value of the gift is reduced by fair market value of the item.
 - Gifts to a qualified organization where a state or local tax credit is expected in return. If the credit is equal to 15% or more of the value of the gift, the deductible value must be reduced by the credit.
- Other “non-charitable” gifts: cost of raffle, bingo, or lottery tickets; value of donor’s time/service

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Charitable giving: Who to consider giving to?

QUALIFIED ORGANIZATIONS (E.G. GIFTS MAY BE TAX-DEDUCTIBLE)

- The U.S., DC, individual U.S. states, U.S. possession, or an Indian tribal government
- Religious, scientific, literary, or educational orgs.
- Orgs supporting the prevention of cruelty to children or animals.
- U.S. fraternal societies, orders, etc. based on pursuit of common objective with a program of fraternal activities and operating as a lodge or for the exclusive benefit of members.
- Veteran's groups
- Certain nonprofit cemetery companies

NONQUALIFIED ORGANIZATIONS (E.G. GIFTS MAY BE NON-TAX-DEDUCTIBLE)

- Political groups or candidates
- Groups whose purpose is to lobby for law changes
- Chambers of commerce, civic leagues or associations
- Country clubs, homeowner's associations or labor unions
- Most foreign organizations
- Contributions to, or for the benefit of, a specific individual

Charitable gifts: How to consider giving

KEY FEATURES OF SELECT CHARITABLE GIVING VEHICLES

Types of gifts	AGI deduction limit	Cost to establish	Level of asset control	Administrative expense	Minimum funding amount
Direct gifts	Higher	None	None	None	None
Donor advised fund	Higher	Low	Modest	Low	\$10,000
Private foundation	Higher	Very High	Very High	High	\$1,000,000
Community foundation	Higher	Low	Modest	Low	\$10,000
Charitable remainder trust	Higher	Modest	High	Moderate	\$100,000
Charitable lead trust	Higher	Modest	High	Moderate	\$100,000

Source: IRS.gov; PIMCO

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KEY CONSIDERATIONS OF SELECT CHARITABLE GIVING VEHICLES

Type of gifts	Considerations
Direct gifts	<ul style="list-style-type: none"> Provides an immediate benefit to a qualified organization Retains no control over the donated asset Easiest and most common form of charitable giving, especially with gifts of cash or household goods
Donor advised fund	<ul style="list-style-type: none"> Helps to maximize the tax benefit of charitable gifts in one year while identifying causes to support in the future Gifts are fully tax-deductible in the year they are made but can remain in the DAF or be distributed to charities over multiple years Ideal vehicle to maximize a charitable deduction in a high-income tax year or to implement with a bunching strategy (see previous). Gifts are irrevocable, but the organization sponsoring the DAF manages the account assets with input from the donor (investment earnings are not subject to tax)
Private foundation	<ul style="list-style-type: none"> Offers more control over grant making and investment decisions than a DAF Gifts are full tax-deductible in the year in which they are made Grants to charities can be made over multiple years More expensive to operate compared to other vehicles Requires minimum distributions to charities annually Annual tax deduction amounts are subject to lower AGI limitations Additional cost and complexity may be more appropriate for larger gifts from families or corporations
Community foundation	<ul style="list-style-type: none"> Public charities designed to support the needs of local communities, such as literacy, homelessness, etc Most donations come from the public rather than a single family or entity The foundation's investments and distributions are managed by a board of directors
Charitable remainder trust (CRT)	<ul style="list-style-type: none"> Irrevocable trusts that provide an income stream to the donor, spouse or family member for a defined period or for life Donor receives a reduced income tax deduction upon funding Value of trust is distributed to a designated charity at the end of its term Unitrusts (CRUTS) distribute a fixed percentage of the value of trust assets Annuity Trusts (CRATS) distribute a fixed dollar amount from the trust assets
Charitable lead trust (CLT)	<ul style="list-style-type: none"> Irrevocable trusts that provide an annual income stream to a charitable organization for a pre-determined period and then distribute the remainder to the donor's family members or other designated beneficiaries Grantor trusts provide an income tax deduction to the owner when funded Non-grantor trusts provide the trust an annual deduction for the distributions made to a charity
Pooled income fund	<ul style="list-style-type: none"> A smaller, less expensive version of a CRT created and run by charitable organizations Combines donations from multiple sources to provide more cost-effective investment management, operations, etc. Donors receive a taxable income stream from the fund in exchange for a smaller tax deduction than from a direct gift All distributions are taxed as ordinary income, regardless of the source of the fund's income



BUNCHING STRATEGY

One of the ways to maximize the value of charitable gifts is through the use of the bunching technique. Bunching allows for the:

- Potential to accelerate or delay gifts to combine them into one tax year for a potential tax benefit
- The creation of additional tax deductions in the year of the gift while maintaining standard deduction in other years – effectively producing additional tax benefit without additional cost.

Combining this strategy with a donor advised fund can help charities maintain a consistent income stream while maximizing the donor's tax benefits.

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Tax rules for charitable gifts

Advisors and investors should review the tax rules when gifting to charitable organizations as deductions and limits vary.

DEDUCTION LIMITS

Gifts to charity are tax-deductible for investors who itemize their deductions (rather than using the standard deduction). In addition, charitable deductions are generally limited to 60% of the donor's adjusted gross income (AGI). However, this threshold may be reduced depending on the type of property donated and the type of organization receiving the gift:

For certain charities, the deduction is based on the fair market value (FMV) of the item donated, while in other cases the deduction is limited to the donor's cost basis. See table below.

Public charity deduction: Churches, schools and other publicly supported groups, as well as private operating foundations allow a larger deduction against AGI; typically referred to as "50% Organizations."

Private foundation deduction: All other organizations, including most private nonoperating foundations, have lower limits on deductions.

Property type	Public charities		Private foundations	
	Value of gift	AGI limit	Value of gift	AGI limit
Cash	FMV	60%	FMV	30%
Short-term gain or ordinary income property	Cost basis	50%	Cost basis	30%
Long-term gain property	FMV ¹	30%	Cost basis/FMV ²	20%
Noncash gifts "for the use of" the charity*	FMV	30%	Cost basis	20%
Noncash gifts NOT "for the use of" the charity*	Cost basis	50%	Cost basis	20%

FMV = fair market value

Charitable contributions that are not deductible due to AGI limitations can be carried forward for up to five years.

Consult a tax advisor on the complexities involving charitable contributions between public and private foundations.

For more details on these, see IRS Publication 526, Charitable Contributions.

* Noncash gifts to a charity that are used for the charity's purpose are treated differently than those not used by the charity. For example, a gift of a painting to a museum that intends to display the artwork is considered "for the use of" the charity. A gift of that painting to a food pantry, for example, would likely not be "for the use of" the charity.

Source: IRS.gov; PIMCO

1 Can elect cost basis deduction with 50% AGI limit

2 Cost basis if non-operating, FMV if operating

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Substantiating charitable contributions

To claim a tax deduction for a gift to charity, taxpayers are required to keep specific records. Requirements vary based on the nature of the gift and the value of the deduction.

Cash donations	Noncash donations
<p>To deduct a cash donation, regardless of the amount, a donor must keep one of the following:</p> <ul style="list-style-type: none"> • Bank record showing the date and amount of the gift and the name of the receiving organization. • Receipt from the receiving organization itself showing the name and the date and amount of the donation. • Payroll deduction records plus a document showing the name of the receiving organization that states no goods or services were given in exchange for the donation. <p>If the cash donation is worth \$250 or more, the donor must obtain a contemporaneous written acknowledgment (see sidebar).</p>	<p>For deductions of less than \$250¹:</p> <ul style="list-style-type: none"> • Must obtain a receipt, letter or other written communication from the receiving organization that states: <ul style="list-style-type: none"> – Name and address of the organization – Date and location of the gift – Description of the property. For securities, state the name of the issuer, the type of security and whether it is publicly traded. <p>For deductions over \$250 but less than \$500:</p> <ul style="list-style-type: none"> • Must obtain a contemporaneous written acknowledgment. <p>For deductions over \$500 but less than \$5,000:</p> <ul style="list-style-type: none"> • Must obtain a contemporaneous written acknowledgement. • Complete Form 8283, providing the following information: <ul style="list-style-type: none"> – Description of the property donated, including its condition. – FMV on the date of the donation and method used to determine value. – How and approximately when the property was acquired. – Donor’s adjusted cost basis in the property (not required for publicly traded securities). <p>For deductions over \$5,000:</p> <ul style="list-style-type: none"> • Must obtain a contemporaneous written acknowledgement. • Complete Form 8283; must be signed and dated by the organization and must include their tax ID number. • Written appraisal from a qualified appraiser².



WHAT’S A “CONTEMPORANEOUS WRITTEN ACKNOWLEDGMENT”?

A written document that is required to substantiate charitable contributions of \$250 or more. It must contain the following information:

- Name of organization
- Amount donated (for cash gifts)
- Description of donated property (for noncash gifts)
- Statement that no goods/services were provided by the organization if that was the case
- Description and good faith estimate of the value of goods/services that organization provided in return for the contribution
- Statement that goods/services that the organization provided in return consisted entirely of intangible religious benefits if that was the case

Must be received by the donor by the earlier of: the due date the donor files a tax return for the year of the gift OR the due date, including extensions, for filing the return.

Other substantiation requirements may apply for gifts of specific types of property. Please review IRS Publication 526, Charitable Contributions, for more detail.

Source: IRS.gov; PIMCO

1 If obtaining a receipt is impractical, the donor can maintain reliable written records of each donation, including the above items along with the condition and fair market value of the donated items.
 2 This appraiser must also sign and date Form 8283, although the appraisal itself must only be attached for certain gifts valued over \$500,000.

All investments contain risk and may lose value.

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