

PLANNING TO MAKE CHARITABLE CONTRIBUTIONS AT THE END OF 2017?

From a charitable giving perspective, Loon Echo Land Trust is no different from other organizations that are asking for financial support. However, what we provide to the seven area towns of Bridgton, Casco, Denmark, Naples, Harrison, Sebago and Raymond is our commitment to protect land in the northern Sebago Lake region of Maine and to conserve its natural resources and character for future generations.

We are a 501(c)(3) non-profit organization formed in 1987 by community members who recognized the need to preserve the natural areas of our region. Throughout the years, Loon Echo has worked with area residents, businesses and organizations to protect land through conservation easements, land purchases and land donations. With nearly 7,000 acres under protection, Loon Echo conserves and maintains this land and multi-use trail systems for the benefit of the public. These important open spaces protect the region's water resources, wildlife habitat, working farms and forests, and scenic views. We provide recreational opportunities for everyone and maintain the rural character of our properties.

In 2018 we anticipate that approximately 50,000 hikers will visit the various Loon Echo trails, and with an estimated maintenance cost of approximately \$1,200 per mile of hiking trail, we need your financial support. Cash contributions are always welcome (and you don't have to wait until December 31 to send in a check) but if you continue to read below, there are a few tax tips you may want to consider. Understanding a few rules of the tax code may help redirect monies to our mission, that otherwise would be sent to the IRS. That's a trade we know many of you would be willing to make. We certainly are not tax experts or financial advisors, so you may want to do some research or discuss this with your financial advisor before taking action.

HERE IS THE FIRST SUGGESTION – DONATING APPRECIATED STOCK – IT COULD REDUCE YOUR TAXES AND SIGNIFICANTLY BENEFIT LOON ECHO LAND TRUST

If you are planning to make a donation this year, consider donating appreciated stock instead of cash. Under the current IRS tax rules, you receive an itemized deduction for the value of the contribution on your federal income tax return. In addition to the charitable deduction for your contribution to Loon Echo, donating appreciated stock allows you to avoid paying tax on the capital gain (1) on the growth of your investment. As we all know, the gains in the stock market have been pretty good in 2017, so here is a chance to possibly increase the effectiveness of your gift by reducing your potential tax liability.

Let's look at an example:

Let's say that you bought 100 shares of Apple stock in 2010 at a cost of \$20,000 and today they are worth \$50,000. Further, in 2017 you plan to donate the entire amount to your favorite charity – Loon Echo Land Trust.

If you decided to just sell the 100 shares of Apple stock, you would have to pay capital gains tax on the \$30,000 of appreciated value. The tax for long-term capital gains is currently 15 percent, (20% if you are in the top income tax bracket of 39.6%) so if you did sell the stock and reaped a \$30,000 long-term gain, you would have to pay capital gains tax of either \$4,500 (\$30,000 X .15) or \$6,000 (\$30,000 X .20). Adding in to account for State of Maine taxes and possibly Affordable Care Act taxes on investment earnings, the tax costs could be as much as another 10%, or \$3,000 more. That all adds up to as much as \$9,000 of taxes on your \$30,000 gain.

On the other hand, if you donated the appreciated stock to Loon Echo, you would be entitled to claim a deduction of the market value of the donated shares (the full \$50,000) as a charitable contribution, and you would not have to recognize any capital gains nor pay the capital gains tax. Depending on your individual tax bracket, this deduction could generate substantial tax savings (2).

As we suggested, we are not attempting to give tax advice, but we are trying to remind everyone that using appreciated stock to make charitable contributions, especially in 2017 after the stock market has done quite well, may be good financial planning. If this is something that interests you, please call your investment advisor and instruct them to transfer the shares to Well Fargo Advisors (DTC no. 0141 , acct. no. 4145-7429, Loon Echo Land Trust) - in turn they will sell the stock and remit the proceeds to us.

HERE IS ANOTHER TAX TIP – FOR INDIVIDUALS WHO ARE ABOVE AGE 70 ½ AND WISH TO MAKE A CHARITABLE CONTRIBUTION IN 2017 – IF YOU MAKE THE DONATION DIRECTLY FROM YOUR IRA, THE WITHDRAWAL WILL NOT GENERATE TAXABLE INCOME

T'S TAXABLE – Normally when you take money out of your Individual Retirement Account (IRA) it is a taxable event. And, if you are over age 70 ½ you are most likely already taking an annual distribution from your IRA and it is being taxed – at the Federal level, and quite possibly at a state income tax rate too. So, quite simply, the withdrawal from your IRA adds to your taxable income and inflates your Adjusted Gross Income.

IT DOESN'T HAVE TO BE TAXABLE – If you are considering contributions to your favorite charities, including Loon Echo Land Trust, you may want to consider making that donation directly from your IRA. Here's why...

In December 2015, Congress passed a law allowing taxpayers who are above age 70 ½ to give up to \$100,000 to charity directly from an IRA account without counting the withdrawal as taxable income. This type of charitable gift is called a "Qualified Charitable Distribution" or QCD for short. It is a very useful tool for assisting you in planning charitable giving – the QCD is not taxable and it has no effect on your Adjusted Gross Income on your Federal tax return. This is important because, as you may recall, a number of other factors are affected by Adjusted Gross Income including the itemized deductions phase-out, exemption phase-out and taxability of Social Security income.

There are some additional details to consider (3) and certainly some discussion with your financial advisor is warranted, but essentially by making a donation directly from your IRA, (the donation must be paid directly to Loon Echo Land Trust) it will allow you to meet your charitable giving goals and the withdrawal will not be taxed.

Summary, regardless of how you make that contribution in 2017, the Board of Directors and staff of Loon Echo sincerely appreciate your support. Please call Thom Perkins, Executive Director, at 207 647 4352 if you are considering a contribution of any kind to Loon Echo.

(1) When contributing appreciated stock, the donor must have held the shares for more than a year in order to qualify for this tax treatment.

(2) Contributions of appreciated stock are limited to 30% of your "contribution base", which is your Adjusted Gross Income, computed without regard to any net operating loss carryback. Please refer to IRS Publication 526 Charitable Contributions.

(3) Core requirements for making Qualified Charitable Distributions from an IRA to a charity are contained in IRC Section 408(d)(8).