

Charitable giving in the holiday season

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As we approach the holiday season and reflect on the good fortune of the past year, many individuals heed the charitable call by making gifts, either to privately funded foundations or to larger public organisations. Whatever the preference, it is important for US taxpayers to remember that the US income tax deduction is only available for contributions to charities organised in the US. Further, contributions to favourite charitable organisations must be made by 31 December 2013 in order to obtain an income tax deduction for the current year. Individuals who make contributions in excess of the allowable income tax deduction (normally either 30% or 50% of adjusted gross income) can carry forward the excess for five years. This is also the last opportunity for UK taxpayers who were liable to income tax at 50% in 2012/13 and who have yet to file their tax return for that year to obtain Gift Aid relief on last year's additional rate income as gifts made in the 2013/2014 tax year can be carried back to 2012/2013 for UK tax purposes. Americans who want the tax break in both the US and the UK need to take action before 31 December.

Of course, US taxpayers resident in the UK face the additional problem that gifts to US charities do not qualify for Gift Aid relief in the UK. Fortunately, there are so-called 'dual qualified charities' that enable a donor to receive both the benefit of the US income tax deduction and UK Gift Aid relief. There are now many organisations, both based in the US and the UK (including donor advised funds, such as Charities Aid Foundation), that offer this facility to donors. Donors who are interested in establishing and funding a family-run charity or 'private foundation' may still be able to do so before 31 December but should begin the process immediately. The Withers US team in conjunction with our award-winning UK Charities team can provide the charitable structures that best meet the philanthropic goals of the donor in the most tax-efficient manner.

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