



# THE ASSET

Official Publication of the Missouri Society of Certified Public Accountants

## How Local Charities Can Enhance Your Client's Charitable Deductions

By **Sandi Weaver, CPA, CFP, CEA**

One of the best tax tips to consider, particularly for senior citizens, is one that we CPAs see in almost every issue of *The ASSET*. These are shown under "Tax Credits" in the Classified Advertising section (page 31).

Specific charities, usually local ones, advertise that they'll give clients a tax credit on their state taxes if they donate. Missouri and Kansas allocate these tax credits to specific charities to pass along to donors.

If your clients still itemize deductions, they get a charitable deduction on their federal tax return. On their state tax return, the deduction is backed out, but the charity's tax credit is applied to the state tax bill.

Many clients filing joint no longer itemize since the standard deduction is high, but they can still enjoy the \$1-for-\$1 reduction on their state tax bill when applying the credit.

Some clients have long used these, yet they're not well-known. How does it work? If your client donates, say \$2,000, to one of these charities, they'll get a state tax credit for 50 percent, or \$1,000.

Both Kansas and Missouri endow specific charities each year with credits that they can in turn pass along to businesses and individuals for donating. Where do you find these charities? Kansas labels this as the Community Service Program and keeps its list on their Department of Commerce website ([kansascommerce.gov](http://kansascommerce.gov)). Look under "Program Awardees." Kansas also has an Individual Development Account (IDA) program that returns credits for 75 percent of the donation; information can be found on the same website, under "Programs and Services." Missouri lists charities in categories on their Department of Revenue website ([dor.mo.gov/tax-credits/](http://dor.mo.gov/tax-credits/)). You'll need to do more digging here, but the

number of charities is larger and includes Food Pantry, Maternity Homes, Family Development, Neighborhood Assistance, and Youth Opportunities.


These local charities often re-appear on those lists in succeeding years. Some of my clients have favored their own charities, snaring similar tax credits. Advise your clients to plan early in the year to check if these local charities align with their philanthropic interests. Then, they should contact the charity. Those credits often get used up fast. Here's an added perk—charities will sometimes notify repeating donors when the charity has received a new allocation of credits from the state, or when they have a few remaining credits carried over.

What are the mechanics? In Kansas, donors are required to complete a form "Tax Credit Application for Contributions," that is sent to the charity which in turn processes and submits it to the state. Kansas then reviews and issues a "Tax Credit Certificate ID" number with the amount of tax credit approved. Both are entered when filing, in Other Credits, K-60 Community Service Contribution (or K-68 for the IDA credit).

Missouri has varying rules for granting credits. Most involve the taxpayer obtaining a signed form from the charity, getting advance approval of the credits from a state agency, and then filing the approved forms with their tax returns. If advance approval is not required, the taxpayer would just file the form with their returns. There are exceptions to the procedure depending on the type of credits. For complete information, go to the Missouri Department of Revenue website for Form MO-TC and a list of credits. Go the MDOR website and see Form MO-TC and a list of credits ([dor.mo.gov/forms/MO-TC\\_2022.pdf](http://dor.mo.gov/forms/MO-TC_2022.pdf)).

There are two tax strategies that can further enhance the tax savings. Your client

can usually donate appreciated securities from a taxable brokerage account rather than cash. Your client will want to ensure their charity has a brokerage account and has cleared accepting securities as donated funds. That strategy will save paying taxes on the embedded capital gains in the shares of the securities donated. Your client may opt to use a QCD (qualified charitable donation) from their IRA for the donation and avoid paying tax on the withdrawal. If timed properly, this strategy can also satisfy part of a RMD (required minimum distribution) for that tax year.

Your suggestions on staying local with charitable donations can enhance your clients' tax savings. They may find building relationships with local charities meaningful. 



**Sandi Weaver** is the owner of Weaver Financial in Mission, Kan. She serves on MOCPA's Wealth and Asset Management Committee.



[Sandi@WeaverFinancialPlanning.com](mailto:Sandi@WeaverFinancialPlanning.com)



[linkedin.com/in/sandiweaveratfsa/](https://www.linkedin.com/in/sandiweaveratfsa/)