

Charitable contributions

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Running Head: Charitable Contributions Charitable Contributions [Institute's Charitable Contributions Charities along with being very profitable for the individuals, has some effects, which prove to be demolishing for the country. Tax incentives for charities actually reduce the amount of tax revenue for government, which, the government uses for social projects. There are some rules by IRS; one must abide by them if one wants to acquire the tax benefit of charitable donations. Some examples of people in the world who made huge charitable contributions are Steve Jobs, Bill Gates, Warren Buffett, and Oprah Winfrey. In January 2010, Bill Gates made world's biggest donation of \$10 billion to distribute vaccines in children. However, this donation saved the lives of many children but the tax incentive did not allow government to benefit other children with social projects, which government could have initiated with the tax revenue by Gates wealth. Charity, by word means that asking for no return while giving something. However, this is not the case if one looks at today's charity patterns. Bill Gates did help many children but in return, he got tax benefit, does this really mean that he has done an ethical act (Hanlon, 2011). No doubt, millionaires and billionaires want to share some part of their wealth with the unlucky ones, however they see their own benefit in it, which drive them to give donations. According to the IRS Tax rules, if a person's goal for giving charitable contribution is tax deduction then the person must give donation to a qualified organization (Gravelle, 2008). Mr. Warren Buffett has donated ? 18 billion of his ? 30 billion wealth to Bill and Melinda Gates, this shows that he has given 80% of his total wealth. When Tim Huelskamp asked Mr. Buffett to release his tax return he simply refused saying that he would not release his tax return until the other rich people release the same. He refused because he paid tax at rate of 17. 4%. <https://assignbuster.com/charitable-contributions/>

Buffett said that “ he paid around \$7 million in federal taxes in the previous year that included \$15, 300 in payroll taxes on taxable income of \$39, 814, 784 at a tax rate of 17. 4%” (Perry, 2011). Huelskamp reported to CNN that “ By sheltering millions of dollars of income from taxation through charitable giving, Mr. Buffett demonstrates that he doesn't trust Washington with his own money either” (Perry, 2011). Mr. Buffett made \$62 billion in 2010 but he had an adjusted gross income of \$39 billion. This difference is because of the adjustments of capital gains and losses. Oprah Winfrey is another person, whose name remains in highlights as for giving charitable donations; she is one of the twenty richest women in the world. She gives donations to Clinton Foundation, Women for Women International, Free the Children, Project Cuddle and many others. In 2008, Oprah sent a check of \$365, 000 Ron Clark who is the founder of private academy in the poor South Atlanta Neighborhood and she sent a check of \$220, 000 to “ Concerned Citizens of Whitesboro”. Black American Investors for the development of this community formed this group. In 2004, she donated \$5 million for the scholarship of students of Morehouse College in Atlanta. According the rules of IRS, she must have maintained a bank record, Payroll deduction or a written communication from the organization containing the name of organization, the date of the contribution and the amount of contribution (IRS, 2011) Some taxpayers make the wrong use of the benefit of tax deduction for charitable donations by donating the property but having the ownership rights with themselves. In April 2011, Amar Bose, founder of audio technology company Bose Corp, gave his charitable contribution of the privately held firm’s stock to Massachusetts Institute of Technology (MIT). The Institute will get annual cash dividends on the shares and it can use the <https://assignbuster.com/charitable-contributions/>

payments to develop the institute accomplish its mission. However, the institute has shares but it does not have, right to sell the shares as it does not have voting rights. It cannot even interfere in managing the Governance of Bose Corp. This represents MIT only has restricted ability to transfer the stock, therefore this charity is not deductible as a charitable contribution (Bittker, 1972). The IRS facts of 2007 reveal that the 400 largest taxpayers possessed a total income of \$138 billion; however, their charitable contributions were \$11billion, which constituted 8%. The amount deducted should adjust upward as it must have been restricted for some gifts. One of these gifts was Buffett's \$1. 8 billion donation for Gate's foundation (Taylor, Webb, & Cameron, 2007). When it comes to suggesting that whether these individuals should contribute in future as they are doing it now, I would say that they should. One reason is that if they do not make charitable contributions, they might find some other ways to evade their income to save themselves from tax imposition. At least, charitable contributions are benefiting some individuals; other techniques might not even do this. Along with this, government should make efforts so that only those individuals acquire the benefits of charitable deductions that are supposed to (Jonesa & Posnetta, 2006). References Bittker, B. I. (1972). Charitable Contributions: Tax Deductions or Matching Grants?". Faculty Scholarship Series. Paper 2320, 37-63. IRS. (2011). Eight Tips for Deducting Charitable Contributions. Retrieved on May 26, 2012: <http://www.irs.gov/newsroom/article/0,,id=106990,00.html> Gravelle, J. G. (2008). Tax Issues Relating to Charitable. CRS Report for Congress, 1-28. Hanlon, S. (2011). Tax Expenditure of the Week: Deductions for Charity. Retrieved May 26, 2012: www.americanprogress.org Jonesa, A., & Posnetta, J. (2006). " Charitable <https://assignbuster.com/charitable-contributions/>

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