**Money Line**

**Capital Gains Tax “Gift” Valid 2010**

Courtesy of Samuel W. Paisley, CLTC

The zero percent long-term capital gains rate remains a surprisingly little known provision of the tax code. It was made law in 2003 but didn’t become effective until 2008 and is set to expire after Dec. 31, 2010, along with other so-called Bush tax cuts.

Until then, if you sell a security you’ve held more than a year at a gain, and your total taxable income for the year, including the gain from the sale, does not push you beyond the 15 percent tax bracket, there’s no tax to pay on the gain.

In addition, the maximum capital gains tax rate (for taxpayers above the 15 percent bracket) is currently just 15 percent and is scheduled to go to 20 percent next year. Some would argue it may make sense to sell appreciated securities and buy back similar offerings now, because the longer you defer realizing gains, the higher those gains may grow, pushing you into a higher tax bracket.

I don’t know what capital-gains taxes will be in the future but they could well be higher. Even if Congress does nothing, rates in 2011 will automatically revert to what they were before 2003.

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**Wit & Wisdom**

“Make all you can, save all you can, give all you can.”

— John Wesley (1703-1791)
Tough economic times may make it tough to donate to worthy causes like helping to clean up the disastrous oil spill in the Gulf of Mexico, much less finance a nice summer vacation. But if you're willing to combine the two, you might be able to have fun and support charities at the same time.

Just ask Rob Seltzer, a Beverly Hills accountant, who writes off a weeklong bike trip from Burlington, Vt., to Portland, Maine, on his tax return each year.

Cheating? Not at all. The ride is sponsored by a group called Charity Treks, which encourages avid cyclists like Seltzer and his wife to find sponsors who will write checks for AIDS research.

Seltzer has been doing the ride since 2002 and typically raises between $5,000 and $7,000 for the cause.

Charity Treks provides funding for research at the UCLA AIDS Institute and the Emory Vaccine Center at Emory University in Atlanta.

As a result, Seltzer's airfare from Los Angeles, the cost to ship his bike, hotel accommodations before and after the race, the $175 registration fee and some meals all qualify as legitimate federal income tax deductions.

"I figured I could do a good thing and ride down the coast," Seltzer said. "It's fun and an amazing experience."

The trick, says Gregg Wind, partner at the Los Angeles accounting firm of Wind & Stern, is to connect with a qualified charity that's willing to give you an assigned task "in a genuine and substantial sense throughout the trip."

That's a quote from IRS Publication 526, which explains what volunteers can and cannot deduct.

Ironically, you'll probably get a much better tax result when you volunteer for groups that operate on the other side of the country (or world) than you would when helping a local charity, he adds.

That's because your time is not tax deductible, but your travel expenses are.

If you teach kids to read at a local shelter, for example, the only costs that would be deductible would be the transportation expense to get there. That can either be claimed at a real cost — the taxi or bus fare — or at a rate of 14 cents per mile.

If, however, you fly to Mississippi to serve as a teacher with a qualified charity, your airfare, taxi, hotel and meals typically are all deductible.

"The deduction for travel expenses will not be denied simply because you enjoy providing services to the charitable organization," Publication 526 explains. "However, if you only have nominal duties, or if for significant parts of the trip, you do not have any duties, you cannot deduct your travel expenses."

What does that mean? If you're a scout leader, taking a group of kids on a trip where you're overseeing the set-up and providing adult supervision the whole time, your trip is deductible, no matter how much you enjoy hanging out with the kids.

But if you devote only a few hours each day to charitable work and then spend the rest of your time poolside or exploring the local sights, the trip is not deductible regardless of how hard you work for the charity in those few hours.

And, although you may not deduct the cost of theater tickets when writing off your excursion to work all day with the underprivileged in New York, you could write off a reasonable expense for the meals you eat in the city, Wind said.

The caveat: Don't make the meals—or your accommodations—"lavish" or they may well be disallowed by the IRS, Wind said.

How do you claim charitable travel deductions on your tax return? You call them "cash contributions" and claim them on Schedule A, the form for itemized deductions, Seltzer said. You generally don't need to specify how you came up with the donation figure on your return, but he thinks it's wise to add a statement providing the detail, just in case.

Also be sure to keep meticulous records. Like all other tax documents, you should retain receipts and other data supporting your tax return for at least three years after filing.