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CHARITABLE GIVING TAX UPDATES – SPRING 2020

Two recent pieces of federal legislation - the CARES Act of March 27, 2020 and the SECURE Act which took effect on January 1, 2020 - both contain temporary and permanent tax law changes that may impact your philanthropic planning. The key provisions you should know about are summarized below.

Charitable Deduction for Non-Itemizers

To encourage more gifts to charity during the COVID-19 pandemic, donors who take the standard deduction on their federal taxes will also be able to claim a reduction of their taxable income for cash gifts to public charities. The adjustment to AGI (adjusted gross income) is limited to $300 per taxpayer ($600 for married taxpayers filing jointly). Gifts to donor advised funds or supporting organizations and gifts of non-cash assets including stocks do not qualify. This provision applies to tax year 2020; it is currently unclear if it will be extended to future tax years.

Increased AGI Limits for Charitable Gifts

If you claim an itemized deduction for your charitable gifts, the limit on the deduction for cash gifts made in 2020 has been increased from 60% of AGI to 100% of AGI. You must elect to apply this increased limit. If your gifts exceed 100% of your AGI, the standard carry forward of unused gift deductions of up to five tax years still applies.

This increased limit can only be used for cash gifts to qualified charities (not for gifts to donor advised funds or supporting organizations) in 2020. Gifts of long term appreciated property including stocks are still subject to a 30% of AGI limit. If you make gifts of both cash and appreciated property, your total deduction can be up to 100% of AGI.

Note that electing the 100% AGI deduction for 2020 may not be the tax-wise choice depending on your current and future federal income tax brackets. Consult your tax adviser to determine if making the election makes sense for you.

Everyone's situation is unique; please seek counsel from your tax advisor to determine if these provisions should change your charitable giving strategy.

Fiat Lux Legacy Society

Clark's Fiat Lux Legacy Society honors alumni, parents and friends who have demonstrated their commitment to Clark's future by establishing planned gifts or including the University as a charitable beneficiary of their estate plans.

Join us by creating your legacy gift for Clark today

If you have already included a gift to Clark in your trust or will or via a beneficiary designation on a retirement account or life insurance policy, please let us know so we can welcome you to the Fiat Lux Legacy Society.

FIAT LUX
Legacy Society

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Changes Affecting Giving from Traditional IRAs

Making your charitable gifts from your traditional IRA can provide real tax savings for you and your heirs. However, both the CARES Act and the Secure Act have made changes to the rules governing IRAs which may impact your charitable giving strategy.

Giving from Your IRA During Your Lifetime

Many donors aged 70½ and older have taken advantage of the IRA Charitable Rollover to make tax-efficient charitable gifts; these IRA gifts count towards your required minimum distribution (RMD) and are not reported as taxable income. (You can learn more about the IRA Charitable Rollover here.) However, changes to RMD rules in 2020 may impact whether this is the best charitable giving strategy for you.

- Beginning in 2020, the age at which you must start taking annual RMDs from your traditional IRA has been raised from 70½ to 72. You can still make withdrawals at a younger age and you can utilize the IRA Charitable Rollover beginning at age 70½ (however, there will be no RMD to offset until you are age 72). This is a permanent change to IRA distribution rules.
- For 2020 only, RMDs from IRAs (as well as many other retirement plans) are waived entirely.
- All donors in 2020 and donors between the ages 70½ to 72 may want to consider using other non-IRA assets to make charitable gifts. In particular, appreciated stocks may offer greater tax savings.

Making an Estate Gift from Your IRA

Designating Clark and other charities as beneficiaries of your IRA (and other tax-deferred retirement accounts) upon your death is a smart tax strategy. Unlike other assets in your estate, your heirs will be required to pay income tax on these accounts. Clark will not owe tax, allowing your estate gift to have a greater impact.

- The elimination of the "stretch IRA" requires non-spouse heirs to withdraw all inherited IRA assets within 10 years, leading to higher income taxes for many. Using your IRA to make your estate charitable gifts will lessen this tax burden.
- A charitable remainder trust may allow you to provide both lifetime income for your heirs (not subject to the 10 year withdrawal rule) and a gift to Clark.

Figuring out the best way to make your planned gift can be complicated;
Clark's Office of Planned Giving is here to help.
For a confidential conversation to explore your options or a gift illustration,
call (877) 252-7510 or email plannedgiving@clarku.edu.

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