CHARITABLE GIVING TAX UPDATES – FALL 2021

Two charitable giving provisions of the 2020 CARES Act have been extended to 2021, to encourage increased gifts to charity during the Covid-19 pandemic. The key provisions you should know about are summarized below.

Charitable Deduction for Non-Itemizers

Taxpayers who claim the standard deduction on their federal income taxes can now also take an "above the line" deduction on their taxable income for cash gifts to public charities. This reduction in your adjusted gross income is limited to $300 for single filers (or those who file separately from their spouses) and $600 for married couples 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 gifts made between January 1 – December 31, 2021.

Increased AGI Limits for Charitable Gifts

If you itemize your deductions, the cap on the deduction for cash gifts to charity made in 2021 has been raised from 60% of adjusted gross income (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 for unused charitable 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 2021. 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 to take the 100% AGI deduction for 2021 may not be the tax-wise choice depending on your current and future federal income tax brackets. Consult your tax adviser to determine if this strategy 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.

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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. The 2020 CARES Act made some permanent changes to the rules governing IRAs which may impact your charitable giving strategy. Other provisions of that act have now expired, making this way to give more attractive for 2021.

Giving from Your IRA During Your Lifetime

Many donors aged 70½ and older take 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 benefits of the IRA Charitable Rollover **here**.)

Some things to know:

- In 2020, the age at which you must start taking annual RMDs from your traditional IRA was raised from 70½ to 72. You can still take 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.
- RMDs were suspended in 2020 but are back in place for 2021, so your charitable gift counts toward the amount you are required to withdraw this year. If you are relying on your gift to reach your RMD, be sure to request the gift be distributed well before December 31 (ideally by mid-November) to avoid any year-end glitches which could result in penalties for not meeting your RMD within the calendar year.
- All donors in 2021 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 than a gift from your IRA.

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 income tax, allowing the full value of your IRA 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 charitable 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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