

CHARITABLE GIVING TAX UPDATES – SPRING 2022

Some of the charitable giving incentives including in federal Covid relief bills have not been extended for 2022 – but Congress still could act later in the year. The following provisions have expired – but there are still some tax-saving strategies you can use:

CHARITABLE DEDUCTION FOR NON-ITEMIZERS

The “above the line” deduction for cash gifts to public charities for taxpayers who take the standard deduction that was available in 2020 and 2021 has yet to be renewed for 2022. This provision gave a break of \$300 for single filers (or those who file separately from their spouses) and \$600 for married couples filing jointly.

STRATEGY – “BUNCH” YOUR CHARITABLE GIFTS

If you don’t give enough to charity in a single year to justify switching from the standard deduction to itemizing your deductions, consider “bunching” your gifts. Every other (or every third) year, give larger gifts and itemize your deductions in that tax year. Then reduce your charitable giving and take the standard deduction in alternate years. Note that many charities have fiscal years that don’t follow the calendar year (Clark’s runs from June 1 – May 31), so you can keep your record of loyal giving going by making two gifts one calendar year and none the next. You can also use a Donor Advised Fund to make a large deductible gift in a single year. Then use your DAF to disperse charitable grants over subsequent years.

AGI LIMITS FOR CHARITABLE GIFTS

If you itemize deductions, the cap on the deduction for cash gifts has dropped back down to 60% of adjusted gross income (AGI) from 100% in 2020 and 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 60% of AGI.

STRATEGY – CARRY YOUR DEDUCTION FORWARD

If your gifts exceed the AGI limits in a given year, you can still use the standard carry forward of up to five additional tax years to claim the full amount of your charitable deductions over time.

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.



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 2022.

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 at www.clarku.edu/plannedgiving/IRAcharitablerollover.)

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 are back in place for 2022, 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 2022 and particularly 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.

Everyone’s situation is unique; we recommend you consult your tax advisor to determine the best charitable giving strategies for you.

Questions? Contact us at (877) 252-7510 or plannedgiving@clarku.edu