Charitable Giving Webinar

New Covenant Bible Church

November 22, 2020

Overview

- Increased Charitable Contribution Limits Under CARES Act.
- Some tried and true charitable giving options to remember.
- A couple of more complex techniques that aren’t for everyone, but may be for you.
- Year-end charitable giving tips.

Increased Charitable Contribution Limits Under CARES Act.

- Two provisions under the CARES Act (Pub. L. No. 116-136) increasing the limitations on charitable deductions made in cash for individuals.
  - $300 ($600 for a married couple) Above the Line Deduction.
    - You do not need to itemize to receive the benefit of this deduction.
  - Adjusted Gross Income Limitation increased to 100% (cap used to be 50% or 60% of AGI).
    - Example: Someone who makes $65,000 per year can itemize their tax deductions and make a charitable contribution of $65,000 in 2020 and deduct the entire charitable contribution in 2020.

Increased Charitable Contribution Limits Under CARES Act.

Things to remember.

- **Contributions of cash qualify for these enhanced limitations.**
- **Contributions of property (i.e., securities or personal property) do not qualify for this enhanced deduction limit, although they continue to be deductible subject to the existing limits.**
- **Contributions to churches and other public charities qualify for these enhanced limitations.**
- **Contributions made to private non-operating foundations, supporting organizations, and donor advised funds do not qualify for this enhanced limitation.**

Increased Charitable Contribution Limits Under CARES Act.

<u>Other types of taxpayers</u>

- **C-corporations.**
  - **Increased charitable deduction limitation from 10% to 25% of the corporation’s taxable income.**
- **Partnerships & S-corporations.**
  - **Charitable contributions allocated to owners are eligible for the enhanced limitations assuming they are qualified contributions (i.e., cash contributions to a public charity).**

Other tried and true charitable giving options to remember.

- **Bunching**
- **Qualified Charitable Distributions from IRA**
- **Contributions of Appreciated Securities**

Bunching

- Bunching involves consolidating tax-deductible charitable contributions that would normally be made over multiple years into a single tax year. In the consolidated year, the donor contributes to a charitable giving vehicle and organization, and receives an immediate tax deduction through itemizing deductions on his or her federal tax return.
- If the donor contributes to a donor advised fund, then the donor would then recommend grants from the donor-advised fund to qualified charities over several years, allowing the donor to utilize the now higher standard deduction in those years.

Qualified Charitable Distributions from IRA

- A qualified charitable distribution is any distribution from an IRA directly made by the IRA trustee to a charitable organization described in §170(b)(1)(A) (this includes churches), other than a supporting organization described in §509(a)(3) that is excluded from private foundation status or a donor advised fund.
- $100,000 annual limit.
- Distributions are eligible for the exclusion only if made on or after the date the IRA owner attains age 70 ½.
- Note: Required minimum distributions are not required for 2020, but qualified charitable distributions are still available.

Contributions of Appreciated Securities

- You can usually deduct the full fair market value of appreciated long-term capital assets you've held for more than one year, such as stocks, bonds or mutual funds.
- In addition, if you donate stocks or other investments, you pay no capital gains tax. In addition, if you donate stocks or other investments in-kind, you pay no capital gains tax. The 30% AGI limit still applies to donation of capital assets.

A few more complex techniques

- Charitable remainder trusts (lifetime income to grantor or family member, and balance upon death paid to a charity).
- Charitable lead trust.

Charitable Remainder Trusts

- A charitable remainder annuity trust (CRAT) pays the noncharitable beneficiary a fixed percent or amount for a term of years or the lifetime of one or more beneficiaries.
- A charitable remainder unitrust (CRUT) pays the noncharitable beneficiary a percent of value of the trust recalculated annually.
- Charitable deduction at time of contribution to the trust.
- Assets held by trust grow tax free, but a non-charitable beneficiary will pay tax on income realized in trust on distributions

Charitable Lead Trust

- **A charitable lead trust (also called a charitable income trust) is a trust in which an income (or lead) interest is paid to one or more charitable beneficiaries and the remainder interest either reverts to the grantor or is paid to one or more noncharitable beneficiaries at the termination of the trust.**

Year-end charitable giving tips.

- **Effective transfer of ownership to the charity: must be completed before midnight of the last day of the tax year. Check post-marked by 12/31/2020.**
- **Proper acknowledgment statement from the charity, if the value donated is $250 or more, must be received before the 2020 return is filed, or the due date of the return, if earlier.**

Questions

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