

2021 Gift Planning News

Smart Ways to Give in 2021

New Pandemic Relief Bill—Special Tax Update

What is included in the new *American Rescue Plan Act* passed in March of 2021?

There are additional direct payments of up to \$1400 for adults and \$1400 per child to be distributed. The full rebate will be available for individuals with income up to \$75,000 and married couples up to \$150,000. This benefit is phased out for higher income individuals and families. Those with children or other dependents may receive additional benefits.

Other items included are an extension of enhanced unemployment benefits of \$300 a week through early September in addition to state benefits. The Paycheck Protection Program will also reopen to small businesses (including nonprofits) to help them continue operating and to maintain their employees.

There are also incentives included in the Pandemic Relief Bill to encourage individuals and corporations to continue supporting their charitable interests. Some of these income tax considerations include a \$300 (\$600 for couples) above-the-line deduction for cash gifts to qualified charitable organizations for non-itemizers (not applicable to donor advised funds or supporting organizations); an increase in the adjusted gross income (AGI) deduction limitation for charitable gifts of cash from 60% to 100% of AGI for itemizers, with a five-year carryover; the deduction limit on corporate contributions is increased from 10% to 25%; and the deduction limit on gifts of food inventory is increased to 25%.

It's important to check with your advisors to evaluate the specifics of your situation. Here are a few ideas to incorporate wise gift planning options so you may utilize the pandemic relief and other giving incentives:

- Plan to itemize your deductions if your total deductions are more than the standard deduction.
- Consider bunching charitable gifts, if possible, in alternate years or at other intervals in order to have enough deductions to itemize in some years.
- Benefit from making qualified charitable distributions (QCDs) directly to charity if you are 70½ or older and have an IRA.
- Avoid capital gains tax and also claim a tax deduction by using stocks or other appropriate noncash assets to make your charitable gifts.
- Think about a gift that provides payments and a tax deduction if you have highly appreciated assets or cash that produces limited cash flow.
- Leave assets that are not needed for you or your loved ones to your favorite charitable causes.

For more information on smart ways to give, please feel free to explore our gift planning website for tips and ideas that may best fit your needs.

Gift Annuity Rates

The American Council on Gift Annuities announced new suggested maximum rates effective July 1, 2020. The new rates are illustrated below. Contact us for more information.

One Life	Rate
60	3.9%
65	4.2%
70	4.7%
75	5.4%
80	6.5%
85	7.6%
90+	8.6%
Two Life	Rate

One Life	Rate
60 & 64	3.7%
65 & 67	3.9%
70 & 72	4.2%
75 & 78	4.8%
75 & 85	5.1%
78 & 82	5.3%
85 & 90	7.1%

The above gift annuity rates are based on the American Council On Gift Annuities suggested rates effective July 1, 2020. Check with us for other rates.

Taxes and Giving

For over 100 years, charitable gifts have enjoyed special treatment in our nation’s tax system by way of a charitable deduction for income, gift and estate tax purposes.

The *Tax Cuts and Jobs Act of 2017*—which became effective in 2018—repealed or limited many deductions, but the charitable deduction escaped virtually unscathed. In fact, it was enhanced through an increased allowance for cash gifts that can be claimed each year (up to 60% of adjusted gross income). Gifts above that amount may be carried forward up to five years. Additionally, a provision that would have reduced the benefit of itemized deductions for high income taxpayers has been eliminated by repealing the Pease Amendment.

The *Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act)* made several changes that may serve to encourage charitable gifts from retirement plans after first providing for your needs and those of your loved ones.

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, signed into law on March 27, 2020, not only included provisions related to supporting the needs of individuals as well as small and large businesses but also included important sections to benefit the charitable sector. This included a limited allowance for an above-the-line charitable deduction for cash gifts of up to \$300—a benefit for non-itemizers who support charitable causes. It also increased the overall AGI limitation for charitable cash contributions from 60% to 100%—a benefit for itemizers intended to encourage larger gifts. While this is just a small part of multiple pieces of this legislation, these provisions recognize the important contributions of the nonprofit sector to society. Additional COVID Relief Acts were passed in December 2020 and March 2021 to extend and expand these benefits.

Though every person’s tax situation is different, most tax payers will benefit from the newly expanded standard deduction or may continue to claim itemized deductions for their charitable gifts. Explore the additional pages here to learn more about the different gift options available. These ideas may be helpful to discuss with your advisors to complete gifts now or in the future.

New Adjustments for the New Year:

- The gift, estate and generation-skipping tax exemption amounts will shelter gifts and estates up to \$11.7 million (adjusted for inflation) for individuals and \$23.4 for married couples for 2021.
- The deduction limit for cash gifts to charity is 100% of AGI for tax year 2021.
- The new standard deduction this year is \$12,550 for single filers and \$25,100 for couples. The aged and blind add an additional \$1,350 to the standard deduction or \$1,700 if they are unmarried and not a surviving spouse. Non-itemizing individuals may claim up to \$300 (\$600 for couples) as an above the line charitable deduction.

Charitable Giving Strategies to Consider:

1. Qualified charitable distributions (QCDs) from IRAs are advantageous for eligible individuals. Although no charitable deduction is available, the income tax that is normally owed on withdrawals is avoided. QCD rules:
 - Individuals must be at least age 70½ on the date of the gift.
 - QCDs can come only from IRAs, not 401(k)s or other retirement accounts.
 - A maximum of \$100,000 may be given annually.
 - The transfer must come directly from the IRA custodian.

- QCDs can be made only to public charities, not to private foundations or donor advised funds.
 - Distributions can be used to satisfy a person's pledge.
2. Life-income gifts such as charitable remainder trusts and charitable gift annuities offer several advantages to satisfy philanthropic goals. Because deductions for remainder trusts and gift annuities tend to be larger, you may be able to itemize in the year a gift is arranged. Payments from life-income gifts may be attractive to those who would normally make bequests to charity through a will or living trust—providing income tax and possibly capital gains tax savings. Funding life-income gifts for loved ones in your estate plans may provide them with regular payments for life or a term of up to 20 years.
 3. Making gifts of appreciated assets, such as stock or mutual funds, allows you to avoid the capital gains tax that would be due if the assets were sold, offering tax savings even if you use the standard deduction.
 4. Those with donor advised funds can direct gifts to public charities. You may be able to itemize by making a larger gift to a donor advised fund, from which annual gifts can be made over several years. Contributing appreciated securities to a donor advised fund provides added tax savings.

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