



On December 27, 2020 the Consolidated Appropriations Act extended certain charitable giving provisions of the CARES Act. Here's what you need to know, why it matters to you and how to learn more.

THREE THINGS YOU SHOULD KNOW:

1. Tax filers who do not itemize their deductions are eligible to claim an “above the line” or “universal” charitable deduction of up to \$300 for single filers and up to \$600 for those married/filing jointly in 2021 only.
2. In 2021 only, deductions for cash contributions to public charities can now qualify for up to 100% of adjusted gross income (previously limited to 60%).
3. Also in 2021 only, deductions for corporate giving can now qualify for up to 25% of taxable income (previously limited to 10%).

HOW YOUR PHILANTHROPY MAY BE AFFECTED:

If you don't itemize deductions but make gifts of cash: The Act extends the provision that allows non-itemizers to take a deduction of up to \$300 (up to \$600 for married couples – new in 2021) for charitable gifts of cash.

Itemizers who give cash: For those who qualify to itemize, the increase in the adjusted gross income (AGI) threshold – from 60% to 100% – could make large cash gifts in 2021 beneficial from a federal income tax perspective. For example, if you give \$100,000 and have an AGI of \$100,000, previously you could deduct only \$60,000 for that contribution. In 2021, this same situation creates a \$100,000 deduction that could “cancel out” your tax bill! (As in past years, unused deductions can be applied to future tax bills for up to five additional years, subject to the traditional 60% of AGI limitation.)

Donors who give through donor-advised funds (DAFs) and private foundations: While the \$300/\$600 universal deduction does NOT apply to gifts made to DAFs, supporting organizations, or private family foundations, you may have stored up funds in one of these entities over the years and this is a great time to recommend distributions from your DAF or family foundation to support U of I and other charities, as the need is high.

Donors who give through companies: In 2021, companies can continue to deduct up to 25% of their taxable income (increased from 10%); the increase of the 15% deduction limitation on gifts of food inventory to 25% is also extended for 2021.

Donors who give through individual retirement accounts (IRA): The CARES Act waived required minimum distributions for 2020. However, this provision was NOT extended for 2021, so you must take your RMDs again in 2021. With a Qualified Charitable Distribution (QCD), also known as an IRA Charitable Rollover, if you qualify you can direct your IRA plan administrator to make charitable contributions from your retirement account, thereby reducing your income tax and fulfilling your required minimum distribution (RMD). However, age plays an important role:

- **At age 59½**, donors can withdraw from their IRA without penalty. These withdrawals will count as income, and that income can be offset through gifts to charity that qualify for traditional income tax deductions.
- **At age 70½**, donors can request up to \$100,000 in distributions be made directly to qualified charities through an IRA Charitable Rollover. These transfers do not count toward a donor's income, resulting in reduced income taxes.
- **At age 72**, the government requires IRA accountholders to start taking minimum distributions each year (except in 2020). Each person's RMD is determined by a calculator that takes into consideration total IRA values and life expectancy. The RMD age increased from 70½ to 72 following the January 2020 SECURE Act. You may use a QCD/IRA Charitable Rollover to fulfill your RMD and avoid income tax typically associated with these withdrawals.
- **For donors approaching or over age 72**, consider incorporating IRA Charitable Rollovers into the assets you use to make your annual gifts or multi-year pledge payments.

MORE IMPORTANT INFORMATION YOU NEED TO KNOW:

- The federal government has extended the deadline for income tax filing and payment to May 17, 2021. Idaho has approved the same extension of the deadline for filing state income tax returns, but some other states have not extended the filing deadline or have extended it to a different date.

HOW TO LEARN MORE:

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What Will YOU Inspire?

This information is provided to give general gift, estate and financial planning options and is not intended to be interpreted or relied upon as legal, tax or financial advice. Before entering into a planned gift with any charity, please seek professional legal, tax and/or financial advice.