

JUNE 17 WEBINAR

RESETTING & RESPONDING:

NAVIGATING A NEW
CHARITABLE AND TAX
LANDSCAPE



Agenda

- Welcome & Introduction of Speakers & Partner Organizations
- Secure Act
- CARES Act
- Tax Updates & Strategies
- Charitable Giving Strategies
- Q & A



DuPage's Philanthropic Leader

Doing a world of good in our own backyard.

For nearly 35 years, the **DuPage Foundation** has led the charge in helping area residents and organizations **realize their unique charitable goals, providing impactful support** to our community's not-for-profits, and **fostering key partnerships to address critical issues** affecting our community.

As our county's needs continue to evolve, we are increasingly being looked to as the catalyst to preserve and enhance the quality of life throughout DuPage County.

Our Impact

1986 - Present

More than

\$45MM

granted on behalf of area residents

Nearly

340

charitable funds

More than

\$95MM

in assets under management

Why the DuPage Foundation?



Local Partner



Deep Community
Knowledge



Personalized, High-Quality
Service



Bridge Communities & the DuPage Foundation

ENDOWMENT PARTNERSHIP

As an agency endowment partner of the DuPage Foundation since 2003, Bridge Communities utilizes its endowments under management with the Foundation to support its mission and long-term financial objectives.

GRANTS

Since 1995, Bridge Communities has received more than \$750,000 in grants from the Foundation.

Most recently, Bridge received \$25,000 in grant funding to protect its clients from COVID-19 through enhanced cleaning and safety procedures and access to technology.

Bridge Communities' Mission

The mission of Bridge Communities is to transition homeless families to self-sufficiency by working with partners to provide mentoring, housing, and supportive services.

Bridge Communities' Vision

Our vision is a community where all families are healthy, financially stable, and living in affordable housing.





CORNERSTONE
SOCIETY

Affirm what you care about and who you are.

Make a **lasting impact**.

Change the lives of homeless families today and for years to come.

Achieve your goals.

Leave a lasting **legacy of generosity**.



Get Involved with Bridge!



Mentor



Tutor a child or adult



Organize a donation drive in your community or employer



Donate your car to a Bridge family



Volunteer at a Learning Resource Center



Participate in Sleep Out Saturday



Attend a fundraising event



Give a donation





Recent Acts

- Required Minimum Distribution (RMD) age increased to 72
- Age limit for traditional IRA contribution removed
 - Potential effect on future QCD for post age 70.5 IRA contributions
- Elimination of “Stretch” for IRA beneficiary
 - 10-year distribution rule for designated beneficiaries (non-spouses and certain trusts); no longer lifetime
- Stretch remains available for certain beneficiaries
 - Spouses, minor children until of age majority, disabled, among other limited exceptions
- 5-year rule remains for non-designated beneficiary (charity, estate)

- Review beneficiary designations
- Name a charity or DAF as a beneficiary
- Charitable Remainder Trust (CRT) as beneficiary
- Lifetime Roth Conversions
- Life Insurance
- Re-visit estate plan
 - Spray trust with multiple beneficiaries
 - Review existing trust documents for IRA beneficiaries
 - Accumulation vs. conduit

- Headlines: PPP and Recovery Rebates
- Charitable changes for individuals for 2020 only:
 - \$300 “above the line” deduction per tax return for non-itemizers; must be to 501(c)3 public charity (not to a Donor Advised Fund)
 - No AGI limitation for itemized cash contributions (was 60%)
- Charitable changes for corporations for 2020:
 - Cash gifts: 25% of taxable income (up from 10%)
 - Food inventory gifts: 25% of taxable income (up from 15%)
- Retirement accounts (IRAs and 401(k), 403(b), 457(b))
 - **No Required Minimum Distributions for 2020** (includes inherited IRA RMD)
 - Already took RMD? 60-day rollover to “put back” (extended to July 15th for distributions taken after January 31st)



Tax Update and Strategies

- Estate and gift exemption to \$11.58 million (\$23.16 million per married couple) for 2020
 - Temporary increase after tax reform through 2025
 - Exemption reverts to about half after 2025
 - GST exemption matches regular exemption
- IL exemption remains \$4M per person
- Annual gift tax exclusion \$15,000
- Consider utilizing current low interest rates
 - 0.18% short-term; 0.43% mid; 1.01% long
 - Private annuity, CLAT, GRAT, IDGT, family loans
- Don't neglect non-financial aspects of planning

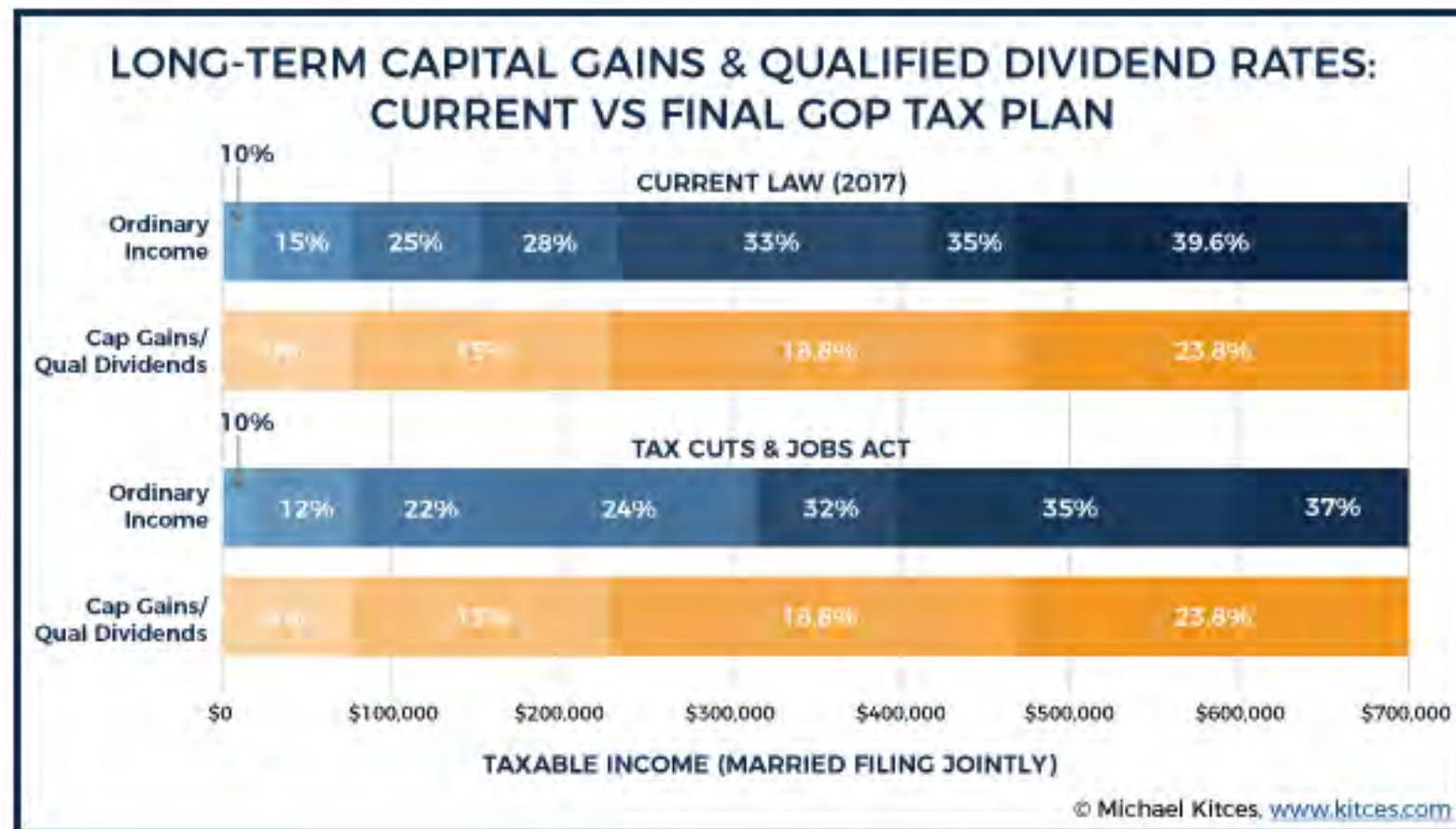


Income Tax Rates/Brackets (Married-Joint)

**TAX
CHANGES
AND
STRATEGIES**

PRIOR LAW (2017)				2018 TO 2025 (2020 is below) Adjusts for inflation each year		
Over	To	Rate		Over	To	Rate
\$0	\$19,050	10%		\$0	\$19,750	10%
\$19,050	\$77,400	15%		\$19,750	\$80,250	12%
\$77,400	\$156,150	25%		\$80,250	\$171,050	22%
\$156,150	\$237,950	28%		\$171,050	\$326,600	24%
\$237,950	\$424,950	33%		\$326,600	\$414,700	32%
\$424,950	\$480,050	35%		\$414,700	\$622,050	35%
\$480,050		39.6%		\$622,050		37%

- Top 20% rate at “old” top bracket threshold
- +3.8% Net Investment Income Tax still applies



→ For tax years 2018–2025*, the standard deduction is increased to:

- \$24,000 for married filing joint (from \$12,700)
- \$18,000 for head-of-household (from \$9,350)
- \$12,000 for all other taxpayers (from \$6,350)
- Additional standard deduction for age 65 and over still applies (\$2,600 MFJ; \$1,600 others)

** Indexed each year for inflation (2020 amounts are \$24,800, \$18,650 and \$12,400)*

- Medical expenses (in excess of 10% of AGI)
- State and Local taxes – limited to \$10,000
- Mortgage Interest
- Charitable Contributions
 - Overall limit is increased to 60% of AGI (from 50%); 100% for 2020 (CARES)
 - 30% for capital gain assets
 - 20% for capital gain assets to private foundation



Focus on Charitable Giving

- Taking the standard deduction?
 - means no income tax benefit from contributions
- Itemizing but total itemized in excess of standard deduction is less than charity? (e.g. \$30,000 total itemized includes \$10,000 charity)
 - Not receiving tax benefit on all charity
- How to get tax benefit? Consider.....
 - Bunching charity and/or Donor Advised Fund
 - Qualified Charitable Distribution from IRA (age 70.5 and older)
 - Nongrantor Charitable Lead Trust



GIVE

Contribute to your fund with cash, stock, or other assets.



GROW

Select from a variety of investment pools and watch charitable contributions grow.



GRANT

Recommend grants to any 501 (c)(3) not-for-profit.

- Current year deduction for fair market value
 - Securities must be held more than one year
- “Front-load” future years of charity
 - Consider DAF in high income/tax year(s) ahead of lower income years (e.g. before retirement)
- No need to track gifts/grants for tax reporting
- Name successor or end charity
- Ease of administering vs. Private Foundation



Donor Advised Fund example

CHARITABLE GIVING OPTIONS

→ Fred & Wilma, over 65, high income

- Give \$15,000/year to charity, but take \$26,600 standard deduction
- Six years of standard = \$159,600

→ Opportunity

- Fund DAF with \$90,000 in 2018 (to fund six years worth of gifting)
- 2018 itemized = \$100,000 (includes \$10,000 property tax)
- Five years of standard ('19-'23): \$133,000
- Cumulative deduction \$233,000 vs. \$159,600; additional deduction \$73,400



**Tax savings by funding the Donor Advised Fund in Year One and
Making Grant requests from the fund: Save \$27,158 (\$73,400 x .37 tax rate)**

- IRA owner must be at least age 70 ½
- Maximum of \$100,000 per taxpayer per year
 - Spouses can each contribute up to \$100,000
- Must be from IRA (not an employer plan)
- Must go directly to a public charity from IRA
 - Must be otherwise eligible for full deduction
 - Okay for IRA owner to deliver check
 - DAF and PF (Private Foundation) not eligible
- Counts toward taxpayer's Required Minimum Distribution
- Do not pick up as income; do not deduct



Qualified Charitable Distribution from IRA example

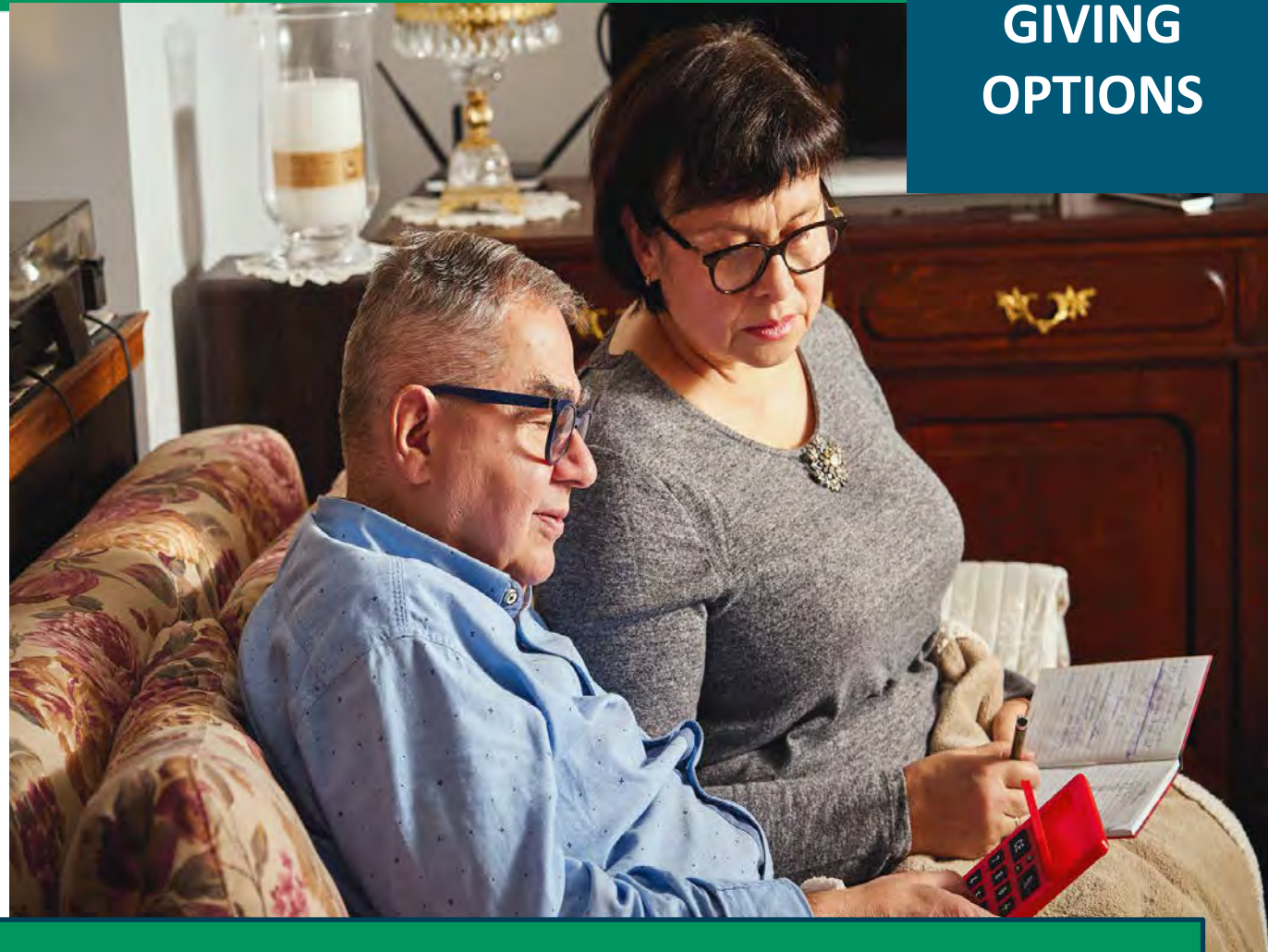
CHARITABLE GIVING OPTIONS

→ Fred and Wilma, both 72 years old

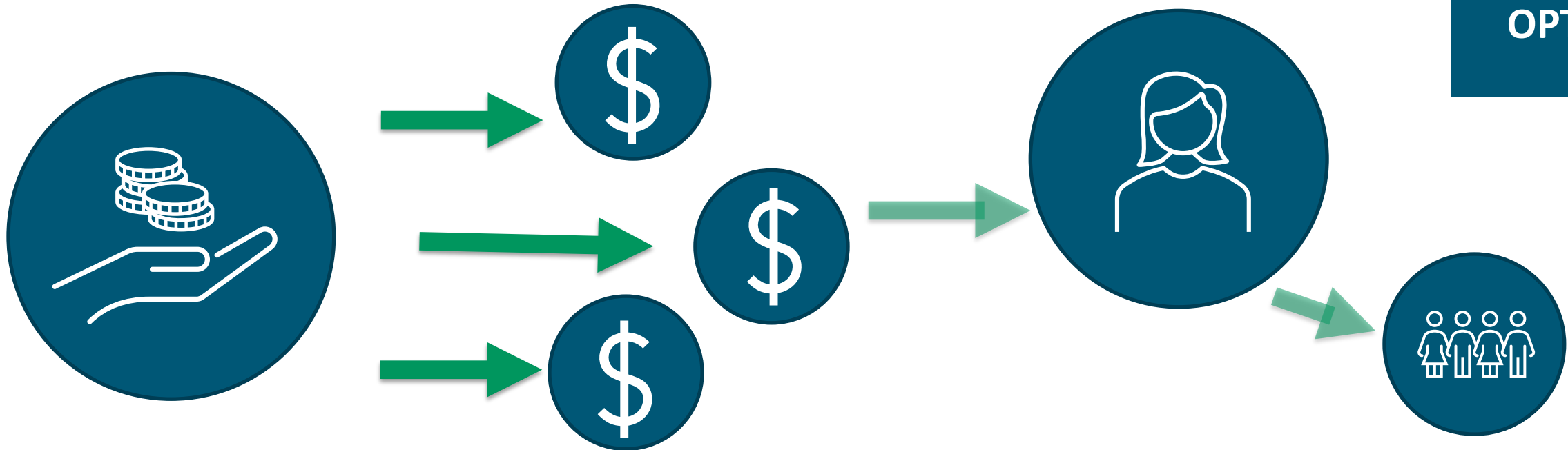
- Give \$15,000 to charity each year out of pocket; Only other itemized deduction is \$10,000 of taxes paid
- \$26,600 standard deduction; no benefit from charitable gifts
- Total income of \$180,000 causes higher Medicare premiums (over \$174,000 AGI)

→ Opportunity

- Each contribute \$7,500 to charity from their IRA; income reduced by \$15,000 and still take the \$26,600 Standard Deduction.



$\$15,000 \times .22 = \$3,300$ annual tax savings and AGI falls to \$165,000; no higher Medicare premiums



GIVE

Contribute cash and other assets to fund a trust.

GRANT

The Trust makes payments to your charity on a fixed schedule for term of trust.

REMAINING

When the trust term expires, remaining assets pass back to the donor or other designated beneficiaries



Nongrantor Charitable Lead Trust example

CHARITABLE GIVING OPTIONS

- Fred & Wilma give \$15,000 to charity each year but take standard deduction.
 - They own \$300,000 of bonds with 5% annual taxable interest. They pick up \$15,000 of interest income each year and pay 45.75% tax (Fed 37% + 3.8% surtax + 4.95% IL) = \$6,863 tax (assumes top tax bracket)
- Opportunity
 - Fund Charitable Lead Trust with \$300,000 of bonds. Income generated in the trust goes to charities to fulfill gifting
 - No tax is paid on the \$15,000 of income.
 - Fred & Wilma choose # of years for trust and can get the principal back at end of term (or name beneficiary).
 - Compare \$41,178 to \$27,158 DAF savings
 - Compare \$41,178 to \$33,300 QCD savings (at top marginal rate)



Tax savings \$6,863/yr. (over six years = \$41,178)

Other income tax planning considerations:

- Year-end planning; figure tax benefit
 - What rate income is being offset
 - Close to a phase-out range/benefit income level?
- Importance of multi-year planning
- In combination with a Roth conversion

Estate tax planning consideration:

- Charity is % beneficiary of IRA or 100% of separate IRA (rather than will/trust beneficiary)



Takeaways and Action Items

\$300 above the
line charity if not
itemizing for 2020

Elimination of
stretch for
beneficiary

No Required
Minimum
Distribution for
2020

Maximize tax
benefits of
charitable giving
options

Election results
may have an
impact on income
and estate taxes



Questions?

Please submit them through the Q & A feature.



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