

CHARITABLE TAX STRATEGIES UNDER THE NEW TAX LAW FOR 2020

The changes in the new tax law have given rise to two significant charitable giving strategies for our clients. The increase in the standard deduction has often limited the charitable deduction through 2025. Here are the two strategies:

OVER 70 ½ TRANSFER FROM IRA TO CHARITY

Let's say you are over 70 ½ years of age, you make IRA distributions and you give to charity but are limited in the deduction. There is a great work around. By directing your IRA to pay the charitable organization directly (this does not include donor advised fund or private foundations), the IRA distribution is **TAX FREE**. This still counts as part of your required minimum distribution. You can give up to \$100,000 per taxpayer per year.

Your IRA trustee will have paper work that needs to be completed to instruct them to make the transfer. Since there is paperwork involved, it may not be worth the agony on small contributions. The trustee may have a dollar limit on what they will do. Just ask!

Be sure you tell **CPAAGI** at tax time that you did this...the 1099-R we receive is not clear.

FRONT END LOAD CHARITABLE CONTRIBUTIONS IN A DONOR ADVISED FUND

Let's say you are not 70 ½, you give to charity but are limited in the deduction. There is still hope. In many cases, a donor advised fund (DAF) is an incredible vehicle to give you a deduction this year yet not have to pay the charitable organization until you are ready.

You can make your normal charitable contributions this year and then make a larger contribution before 12/31 for future years. By adding future years on top of the normal current year contribution, you can often make your contribution deductible. There may be a reason to give for 2020 or even for 2021 – 2025 all in 2020.

Let's look at an example. Terry and Tammy Tither have a 2020 standard deduction of \$24,800. Their state and local taxes including real estate taxes are limited to \$10,000. They had mortgage interest of \$4,800 and they make charitable contributions of \$10,000 each year. They get no extra deduction for the charitable contributions. For 2020, the Tithers make their normal \$10,000 contribution and then donated to a donor advised fund before 12/31/20 for \$50,000 (the \$10,000 they would have given in 2021 – 2025). They will deduct the \$50,000 for excess charitable on their 2020 return. If they are in a 32% federal tax bracket, they will **save \$16,000 in taxes** as opposed to zero if they gave every year.

An add-on bonus works if you have appreciated stock. You can donate the most appreciated stocks from your non-retirement portfolio to the DAF and eliminate the gain sitting in the stock.

There are many DAF's. An example is Fidelity Charitable at www.fidelitycharitable.org. Click on "Open a Giving Account". The minimum initial donation is \$5,000. The grants to your favorite charity can be as low as \$50. The administrative fee is .6% but not less than \$100. You would invest in Fidelity products that range from .015% - 1.11% depending on what you select. You can also call them at 800-262-6039. Compare and pick one.

CPAAGI will guide you through the process regarding how much to give. You can deduct up to 60% (30% if appreciated stock) of your adjusted gross income to a DAF. Due to the CARES Act, the 60% limit is waived for 2020.

FOR QUESTIONS, PLEASE FEEL FREE TO CALL **CPAAGI** AT 614-942-1990.

