



CREATIVE CHARITABLE GIVING STRATEGIES Extended for 2021 | The CARES Act Law

An extraordinary tax law was passed last year which introduced several new and potentially powerful charitable giving opportunities that **have been extended for the 2021 tax year**. The government threw a very small giving “bone” to taxpayers who use the standard deduction, but it has thrown higher capacity families a huge giving “bone.”

Here is a brief, general overview of the giving incentives in this new law:

- For standard deduction users:
 - Extended for this year only, standard deduction users are able to take an additional \$300 deduction above the standard deduction. Depending on your tax bracket, you may save between \$10 and \$32 dollars on your taxes because of this provision. You can see why we call this a small, giving “bone.”
- For those who itemize deductions:
 - Extended for this year only, taxpayers who itemize deductions are able to deduct up to **100 percent** of their adjusted gross income in charitable cash giving. Previously and again in 2022, the maximum you could deduct in your charitable giving in any year was 60 percent. **But extended for 2021 only**, the maximum deduction is now 100 percent. This means that with creative planning and giving, it is possible to eliminate ALL Federal Income Taxes for 2020.
 - The deduction for gifts of appreciated assets remains limited to 30 percent of your AGI.
 - The 100 percent of AGI charitable deduction is limited to cash gifts going only to public charities or to private foundations. Cash gifts to Donor Advised Funds or to Supporting Organizations are still limited to only 60%.

So, with this new temporary tax law in place, what kinds of giving opportunities does this create? Here are four giving strategies going from the least powerful to the most powerful impact. Strategy #4 is amazing for the right people!

Giving Strategy #1: If you are filing your taxes using a standard deduction, make sure that you take the additional \$300 charitable giving deduction. Not much benefit, but better than nothing.

Giving Strategy #2: Instead of giving capital assets (which is usually the best thing), sell the asset and give the cash instead. For this strategy to be effective, two conditions must exist with your noncash assets:

1. Your asset must have a very high basis, or to say it another way, must have very little gain in it. (For example, a \$100,000 investment portfolio that has a \$90,000 basis.)
2. Your deduction for the gift is so large that you will not be able to use all the charitable deductions over the six year tax deductible period that it can be used.

If these two conditions exist, consider selling the asset and giving the cash. Doing so will allow you to use the deduction up to 100 percent of your AGI this year and up to 60 percent in the next six years. This allows you to potentially use up all or a lot more of the charitable deduction than you would if you gave the asset and were limited to only 30 percent of your AGI for the next six tax years. In the right situation, this can be a very powerful way to save what might otherwise be lost charitable deductions.

Giving Strategy #3: You might want to consider “pre-giving” this year. If your annual giving is bumping against the normal 60 percent AGI limitation, you might want to consider doing your giving for future tax years this year. Giving this year means you will be able to deduct all the way up to your full AGI. This strategy can allow you to give more and not lose the charitable deductions.

Giving Strategy #4: The most compelling giving opportunity with the new tax law is for those who have IRA accounts.

- The law prior to the CARES Act allowed for people age 70½ and above to make a direct transfer of up to \$100,000 annually from their IRA accounts to a public charity without incurring any tax on the direct transfer.
- With the new 100 percent of AGI limitation for 2020, people as young as 59½ can make direct transfers of any amount from their IRAs to charity with no taxation.
- So, if you have accumulated a surplus in your IRA or if you will not need your IRA funds for retirement – and you wish to give them to charity – you no longer have to wait until you are 70½ to start giving it away at \$100,000 a year. This year, you can give ALL of it away and impact the ministries that you most care about today. So, this year is a phenomenal opportunity for individuals with excess in their IRAs to substantially accelerate their giving.

Unfortunately, because of the economic challenges we are facing at this time, most advisors are focusing on other stimulus aspects of the new tax law, and paying little attention to these exciting Kingdom-funding opportunities that the law offers families for 2021.

If you would like to talk with me about your personal situation and how to take maximum advantage of the new tax law to accelerate your Kingdom giving and maximize the tax benefits in doing so, please feel free to contact me for a personal conversation. You can email me at stewardship@taylor.edu or call my office at 765.998.4614 and we can arrange a time for us to visit by phone.

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Jay Link spent 35 years counseling Christian families to build customized Master Stewardship Plans. He is an author, a mentor to hundreds of financial advisors and attorneys, and started his career as a pastor. His passion is helping Christian families use all the Lord has entrusted to them for Kingdom-building purposes.