

Tips for your 2021 year-end philanthropic planning

With the end of the year just around the corner, now is the time to start thinking about your 2021 charitable giving strategies and making plans to implement them. In fact, the advantage of funding your charitable gifts in 2021 is highlighted by current and expiring tax laws, and proposed tax law changes that would:

- Increase the top capital gains rate from 20% to 25% (effective for stock sales after 9/13/21)*
 - Increase the top marginal income tax rate from 37% to 39.6%*
 - Increase gift/estate tax rates and lower exemptions; loss of basis step-up
- *Plus, the current 3.8% tax on investment income

Charitable Giving Opportunities to Consider for 2021

- ▶ **Gifts of Appreciated Securities:** Your donation to Case Western Reserve University (CWRU) of appreciated publicly traded stock or mutual funds can avoid capital gains tax and provide a charitable income tax deduction.

A record high stock market and the potential increase in the capital gains tax make gifts of appreciated securities a particularly attractive source to fund your charitable gifts.

- ▶ **IRA Charitable Rollover:** If you are over age 70½, you can annually direct a "Qualified Charitable Distribution" (QCD) up to \$100,000 from your IRA to a public charity like CWRU. The QCD is not taxed as income to you, so there is no charitable income tax deduction; however, a QCD can be applied to satisfy your "Required Minimum Distribution" (RMD).

Even if you are not yet required to take an RMD from your IRA this year, a QCD is a tax effective way to make charitable gifts; also making a QCD in 2021 can reduce the amount of your RMD in 2022 when income tax rates are expected to increase.

- ▶ **Cash Contributions:** For 2021 (extended from 2020), your cash contributions to CWRU are eligible for a charitable income tax deduction up to **100% of your adjusted gross income (AGI)**.

After 12/31/21, the AGI limit goes down to 60%; after 2025, it will be further reduced to 50%.

- ▶ **Estate Gifts:** Your gift to CWRU can be funded through a commitment in your estate plan.

With lower estate exemptions and higher estate tax rates on the horizon, consider estate planning strategies that will direct your assets to charity instead of to estate tax payments.



Be Strategic

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Plan Your Year-End Giving Now

Financial institutions need time to transfer assets, so plan ahead. To ensure that your gifts are effective in 2021, we recommend you confirm year-end deadlines of financial institutions and administrators for transfers of cash and stock, charitable rollovers, and DAF distributions. We can also provide transfer instructions to ensure your gifts are allocated properly upon receipt.

Consolidated Appropriations Act and 2021 Charitable Giving Incentives—Expiring 12/31/21

The Consolidated Appropriations Act of 2021 provides important tax incentives that **will expire on December 31, 2021:**

If you do not itemize: Your **CASH** contributions to public charities such as CWRU are deductible "above the line" up to \$300 (or \$600 for married couples filing jointly) a dollar for dollar reduction of your taxable income.

If you itemize: Your **CASH** contributions to public charities such as CWRU can be deducted up to **100% of your adjusted gross income (AGI)** (an increase from 60%).

Corporations: Corporate contributions of **CASH** to public charities such as CWRU are deductible up to 25% of taxable income (an increase from 10%)

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CWRU does not provide tax or financial advice, so you should always discuss the tax benefits and consequences of any charitable giving strategies with your own tax advisors



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