INFAITH INSIGHTS

January 2018

With the Tax Cuts and Jobs Act of 2017 in effect as of January 1, your clients may have questions about how the Act affects charitable giving.

As it relates to charitable giving, here are a few highlights:

- The new law makes no changes in provisions related to charitable gift annuities, charitable remainder trusts or other tax-qualified deferred gifts.
- There were no changes to the IRA Rollover Provision, which is important (for the foreseeable future) to the 3 million Baby Boomers who turn 70 ½ each year.
- The amount of charitable gifts of cash that can be deducted each year was increased to 60% of Adjusted Gross Income (AGI). 30% remains the limit for long-term appreciated property. (Any unused portion may carry forward an additional 5 years.)

Following recent tax reform, two giving solutions – QCDs and "bunching" – are expected to grow in popularity given higher thresholds for itemized deductions.

QCDs

Clients 70 ½ or older can give Qualified Charitable Distributions (QCD) from an IRA to create an InFaith charitable fund or pay life insurance premiums on a contract owned by InFaith Community Foundation.

- Avoid recognizing IRA distributions as income while meeting RMDs. (Up to $100K can be given annually).
- Through their InFaith charitable fund, donors can support multiple charities over a term of years or in perpetuity. Initial charitable recommendations must remain in place for the life of the charitable fund to comply with QCD provisions. This type of fund is referred to as a "Non-Advised Fund".

"Bunching"

This strategy describes how clients can bunch two or more years of charitable contributions into one year to reach the new threshold required for itemization.

- A donor advised fund provides the ideal solution for this type of giving – donors make their charitable gifts now and decide when and how much to give to charities later.
- Donors can give cash, or give long-term appreciated assets and avoid capital gains, one of many giving benefits that remain in place under the new tax law. Another option is to front load (i.e., bunch) IRA distributions for a larger QCD gift (up to $100K annually). This reduces RMDs in following years as the principal has been reduced.
- For donors giving life insurance contracts with InFaith as owner, there may be advantages to bunching insurance premium payments. Contact InFaith for more information. Long-term appreciated assets also serve as an attractive option for premiums payments.

RESOURCES

Contact a Gift Planner

inFaithFound.org

FR Resources Webpage

Follow InFaith Community Foundation on Facebook and Twitter and LinkedIn.

InFaith on WeThrive

Request InFaith Materials

InFaith News on the Tax & Jobs Act of 2017

Thrivent & InFaith FR Handbook

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What does recent tax reform mean for your charitable business?

Through research and donor feedback, we know that people are motivated by much more than a tax deduction.

- Per InFaith donor surveys, motivations for giving include: 1) providing support to specific charities/causes and addressing needs; and 2) giving in response to life's blessings and as an expression of faith (Christian responsibility and stewardship). Personal financial benefit and tax advantages ranked a distant third.
- Per Fidelity Charitable's *Future of Philanthropy*, 74% of donors are motivated by personal factors and 88% are motivated by external factors. Personal motivations include giving as part of values and satisfaction/peace of mind. External factors include a desire to make a meaningful difference and serve needs.

What are the implications for charitable givers?

- The charitable deduction came through the tax reform process unchanged and was even enhanced for some donors making larger gifts. However, because the standard deduction was increased for individuals and couples filing jointly, fewer people are expected to itemize. As a result, the income tax deduction for contributions to charities will be lost to many.
- The new law makes no changes in provisions related to charitable gift annuities, charitable remainder trusts or other tax-qualified deferred gifts.
- The amount of charitable gifts that can be deducted each year was increased from 50% to 60% of AGI (30% remains the limit for long-term appreciated property). The provision would retain the five-year carryover period to the extent that the contribution amount exceeds the cap.
- The Qualified Charitable Distribution (QCD) Provision remains in place and will likely gain in popularity, especially with three million baby boomers turning 70 ½ every year. Eligible taxpayers giving QCDs receive a full exclusion of the QCD income from taxes, without having to itemize.

Questions? Contact InFaith Community Foundation at inFaithFound.org or 800-365-4172.

InFaith Community Foundation is a national charity with a mission to serve donors, spread joy and change lives. Through InFaith, gifts are tailored to each donor's charitable interests and financial circumstances. InFaith Community Foundation is a proven steward of these gifts, earning consistently high ratings from Charitable Navigator for sound fiscal management and GuideStar for transparency and commitment to excellence. Together with donors, InFaith grants millions of dollars annually to charities serving local, national and global communities.

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