

YEAR-END TAX PLANNING

Make a gift by December 31, 2020

Taxpayers should anticipate some changes when they file their 2020 federal income tax returns due to some significant changes that have come about over the past year, both prior to and in response to the Coronavirus pandemic. There is still time left in 2020 to discuss the tax issues and strategies mentioned below with your tax or financial professional.

Changes to Required Minimum Distributions (RMDs)

A required minimum distribution is the amount that traditional, SEP or SIMPLE IRA owners and qualified plan participants must withdraw from their retirement accounts to satisfy IRS regulations. Once RMDs start, they are recalculated on an annual basis. Two major laws have been passed recently that affect RMDs. Most importantly, all RMDs have been suspended for 2020 as part of the CARES Act passed into law on March 27. At the time of writing, this suspension only applies to the calendar year 2020. The other major change, brought via the SECURE Act passed in December 2019, is that RMDs will not start until the account owner turns 72 (previously, they started in the year in which the taxpayer turned 70 ½). The new RMD rules

will apply to anyone born on or after July 1, 1949. Those born prior to this date will still need to follow the previous guidelines for RMDs. Given the amount of changes this year and the uncertainty surrounding the ongoing Coronavirus pandemic, it will remain a good practice to stay in touch with your financial professionals to see how current and any future changes may affect you.

Qualified Charitable Distributions (QCDs)

The IRS defines a Qualified Charitable Distribution (QCD) as an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or over that is paid directly from the IRA to a qualified charity. In other words, a QCD is when IRA owners who are at least 70½ direct their IRA provider to send a check drawn from the IRA directly to a charity of their choosing. QCDs can lead to tax benefits, including having the amount of the QCD count towards the individual's RMD for the year. Please note that at the time of this writing, there has been no change to the age at which QCDs can begin.

Charitable Giving

Charitable deductions are still available to taxpayers in 2020. However, the CARES Act included two provisions that make significant changes here as well. The first change is the addition of a \$300 “off the top” universal deduction for charitable contributions and is available no matter whether the taxpayer itemizes or uses the standard deduction. To qualify, the donation must be made in cash, and the \$300 amount is a maximum that applies to both individuals and married filing jointly (i.e. no additional benefit to married filers).

The second major change also applies to deductions stemming from cash donations. Previously, individuals could claim no more than 60% of their adjusted gross income (AGI) for cash donations to qualified charities. In 2020, however, individuals can claim up to 100% of their AGI for this type of donation.

A Look Ahead to 2021

Additions to Retirement Accounts

Individuals may contribute the same amounts to their retirement accounts, as shown in the chart below:

Year	IRAs		Other Employer Plans (401Ks, etc.)	
	Annual Contribution	Catch-up Contribution*	Elective Deferral	Catch-up Contribution
2021	\$6,000	\$1,000	\$19,500	\$6,500
2020	\$6,000	\$1,000	\$19,500	\$6,500

* Individuals who are 50 years old or older can make an annual catch-up contribution beginning the year they turn 50.

Estate and Gift Tax

The estate and gift tax exemption will increase to \$11.7 million per individual for 2021. The annual gift exclusion amount remains the same at \$15,000.

Health Flexible Spending Arrangements (FSAs)

Employees can contribute \$2,750 to health FSAs, which is the same as was allowed in 2020.

Health Savings Account (HSAs)

You can contribute up to \$3,600 to an HSA if you have single coverage or up to \$7,200 for family coverage. If you're 55 or older anytime in 2021, you may contribute an extra \$1,000.

December 31: The deadline to complete all 2020 gifts

It isn't too late to make a gift before year-end. The Presbyterian Foundation is able to assist you with the available gift options. We'll help you find the one that suits your needs as well as your desire to support mission.

To receive a charitable tax deduction for the 2020 tax year, ensure all gifts are completed by Dec. 31. Note that certain gifts, especially gifts of securities, require additional time to process. Please start the process to give securities by December 17.

Types of Assets for your Gift

Cash

This is the most common charitable gifts and often takes the form of checks and electronic transfers. You may be eligible for both federal and state income tax savings.

Appreciated Securities

Appreciated securities, such as stocks, bonds, and mutual funds, are a great option for your charitable giving. Gifts of appreciated securities owned more than one year can provide you with additional tax savings since you do not realize long-term capital gains, and the current value, rather than your cost, may be reported as an itemized deduction. Please call us to start the process to give securities.

Retirement Plans

Donors ages 70½ years old and older can make Qualified Charitable Distributions (QCDs) directly from their IRA to their church or other public charities. Please call the Presbyterian Foundation for more details or talk to your financial advisor.

Gift Plans to Consider

Direct Gift

You can make a direct gift to your church through the Presbyterian Foundation. This is especially helpful for individuals who would like to make an anonymous gift to their church or those that would like to make a security gift to a church that does not have the capability to accept securities.

Donor-Advised Fund

Combine all your giving into one fund and you may receive an immediate tax deduction when you open the fund. You can then recommend grants from the fund throughout the year to your local congregation and all the ministries or charities that are close to your heart.

Endowment

The funds will provide a source of support to your church in perpetuity. Endowments are often used to create a memorial or legacy gift.

Contact Us!

We are available to assist you. We are open 8 a.m. to 5 p.m. (Eastern) each weekday (closed Thanksgiving Day, Christmas Eve and Christmas Day). We are open on December 31 until 5 p.m. (Eastern). Please reach out to us if we can assist you at 1-800-858-6127.

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