

YEAR-END TAX PLANNING

Make a gift by December 31, 2022



Taxpayers should once again anticipate some changes when they file their 2022 federal income tax returns, whether the changes are new items or simply ongoing changes related to the COVID-19 pandemic. As was true last year, it will remain a good practice to stay in touch with your financial professionals to discuss the impact to you of current or future changes to the tax code.

Changes to Required Minimum Distributions (RMDs)

A required minimum distribution (RMD) 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. As a reminder, the SECURE Act passed in December of 2019 changed the age at which RMDs start to the year in which the account owner turns 72. The most recent RMD starting age rule applies 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.

A major change during 2020 was the suspension RMDs for the year by the Cares Act in response to the pandemic. **This suspension was not carried forward into calendar year 2021 and as a result those account owners subject to RMDs must once again make sure the required minimum amount has left their account by December 31.** RMDs may be satisfied in one of two primary ways: 1) by the individual taking a direct disbursement or 2) by the individual requesting a Qualified Charitable Distribution (QCD).

The IRS defines a 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 can direct their IRA provider to send a check drawn from the IRA directly to a charity of their choosing. QCDs are a great way to support the charities you care about most, including your local church, in a tax efficient manner.

Charitable Giving

Charitable deductions are still available to taxpayers in 2022. There have been several news stories about 2020 CARES Act charitable provisions expiring but the traditional charitable deductions remain. Gifts of cash, stock, collectibles, real estate, and transfers from your retirement account may all offer charitable tax deductions while providing for your church or other missions and ministries you hold close to your heart.

For taxpayers who itemize, cash gifts in 2022 will see the standard 60% Adjusted Gross Income (AGI) limitation and up to 30% of AGI for appreciated assets (ex. stocks), held longer than a year. Both cash and appreciated assets deductions have five additional tax years to carry over any unused deduction amounts.

Did you know that you can deduct unreimbursed expenses incurred on behalf of a charity, such as the cost of traveling to a location to preform volunteer services? That's right, your trip to the church building to help stock the pantry can be deducted.

Giving is a strong Christian value and your own personal statement of faith, but you can also take advantage of the savings in the tax code.

December 31: The deadline to complete all 2022 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 year-end charitable goals.

To receive a charitable tax deduction for the 2022 tax year, ensure all gifts are completed by December 31. Note that certain gifts require additional time to process, so time is of the essence. For more information, call 800-858-6127, option 3.

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 allow enough time for securities gifts to be processed by starting the process to donate securities by December 16.

Retirement Plans

Donors 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 who 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.

For more than two centuries, the Foundation has been serving the Presbyterian Church (U.S.A.) and individual Presbyterians in their desire to bring people and mission together. The Presbyterian Foundation and its subsidiary, New Covenant Trust Company, N.A., stand as an enterprise of hope and service, enabling Presbyterians to change the world with their accumulated assets in accordance with their Presbyterian values.

The Presbyterian Foundation and New Covenant Trust Company do not render legal, tax or other professional advisory services to individuals. The general information presented herein may not be current, and is subject to change without notice. As with any decision regarding legal and financial matters, we recommend you consult with our own independent professional advisor.

A Look Ahead to 2023

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
2023	\$6,500	\$1,000	\$22,500	\$7,500
2022	\$6,000	\$1,000	\$20,500	\$6,500

*** Annual Contribution limit is increased to \$7,500 for individuals who are age 50+ assuming contributions are exceeded by participant's compensation.*

**Individuals with retirement plans available through their employers may be prohibited from claiming a tax deduction on an IRA contribution if they earn too much.*

Estate and Gift Tax

The estate and gift tax exemption will increase to \$12.92 million per individual for 2023, an increase of \$880,000 from 2022. The annual gift exclusion amount jumps to \$17,000, an increase of \$1,000 from 2022.

Health Flexible Spending Arrangements (FSAs)

Employees can contribute \$3,050 to health FSAs, an increase of \$200 from 2022.

Health Savings Account (HSAs)

You can contribute up to \$3,850 to an HSA if you have single coverage or up to \$7,750 for family coverage, increases of \$200 and \$450 respectively from 2022. If you're 55 or older anytime in 2022, you may contribute an extra \$1,000.

Contact Us!

We are available to assist you. We are open 8 a.m. to 5 p.m. (Eastern) each weekday (closed December 23 and 26 for the Christmas holiday). We are open on December 30 until 5 p.m. (Eastern). Please reach out to us if we can assist you at 1-800-858-6127.

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