2021 Charitable opportunities

- **The adjusted gross income (AGI) limit for cash contributions to qualifying public charities remains increased for individual donors. For cash contributions made in 2021, you can elect to deduct up to 100 percent of your AGI (formerly 60 percent prior to the CARES Act).**

2021 Charitable opportunities

The CARES Act allowed for an additional, “above-the-line” deduction for charitable gifts made in cash of up to $300. This provision is extended into 2021 for taxpayers filing single/separately.

New in 2021 is an additional “above-the-line” deduction for those married filing jointly. Joint filers (who aren’t itemizing) will be allowed to take an above-the-line deduction of up to $600 in cash contributions to charity this year.

2021 Charitable opportunities

Individuals over 70½ years old to donate up to $100,000 in IRA assets directly to charity[1] annually, without taking the distribution into taxable income.

However, remember that under the CARES Act an individual can elect to deduct 100 percent of their AGI for cash charitable contributions. This effectively affords individuals over 59½ years old the benefits similar to a QCD; they can take a cash distribution from their IRA, contribute the cash to charity, and may completely offset tax attributable to the distribution by taking a charitable deduction in an amount up to 100 percent of their AGI for the tax year.

If you're planning a large donation in 2021, this may be a smart strategy as long as you are between the ages of 59½ and 70½ and are not dependent on existing retirement funds.

2021 Charitable opportunities(cont.)

- **Use a charitable deduction to help offset the tax liability of a retirement account withdrawal.**

Those over age 59½ (to avoid an early withdrawal penalty) who take withdrawals from retirement plan accounts in 2021 may use deductions for their charitable donations to help offset income tax liability on the withdrawals. As with the above strategy, this offers the additional benefits of potentially reducing a donor's taxable estate and limiting tax liability for account beneficiaries.

- **Convert retirement accounts to Roth IRAs.**

Individuals who have tax-deferred retirement accounts, such as traditional IRAs, can use charitable deductions to help offset the tax liability on the amount converted to a Roth IRA. The primary benefits of a Roth IRA are tax-free growth, potentially tax-free withdrawals (if holding period and age requirements are met), no annual required minimum distribution, and the elimination of tax liability for beneficiaries (depending on the timing). Be sure to talk with a tax professional or financial advisor before deciding to do a Roth IRA conversion.

2021 Charitable Opportunities

	COMMERCIAL DONOR ADVISED FUND	PRIVATE FOUNDATION
Start-Up Incorporation Tax Exemption	No set-up fees Easy & inexpensive to set up Fund can be established in one brief meeting or online	$5-$10,000 in professional fees 6-12 months to incorporate, create bylaws & obtain 501(c)(3) status from IRS; decide charitable trust or non-stock corporate model
Asset Size	Varying minimum balances for assets from $10,000 to $30,000	Typically established with assets of $7-10+ million
Required Payout	Varies	5% annual distribution required
Excise Taxes	No excise tax on income	Excise tax of up to 2% of annual net investment income
Tax Treatment of Gifts:	Donors enjoy tax advantages:	Tax treatment is not as favorable:
Cash gifts	Deduction up to 60% of adjusted gross income for cash distributions	Deduction up to 30% of adjusted gross income
Publicly traded securities, closely held stock, &/or real estate	Deduction up to 30% of adjusted gross income for long-term appreciated property generally allowed; acceptance of certain assets may require pre-qualification; consultation w/tax advisor recommended	Deduction up to 20% of adjusted gross income for publicly traded appreciated securities generally allowed; consultation with tax advisors recommended.
Gifts of real property	Acceptance of complex gifts of real property require pre-qualification & subject to limitations; deduction of FMV	Deduction of lower of cost basis or market value for gifts other than cash or publicly traded securities
Liability, Insurance & General Administration	Handles financial & administrative matters: ▪ investments & accounting ▪ legal & compliance filings ▪ annual independent audit ▪ annual tax return	Perform, contract, or hire personnel for these services
Investment Manager Selection	Most have portfolio choices; some have separately managed account options	Perform, contract, or hire investment personnel
Investment Management Fees	Varies	Varies
Annual Costs	Annual administrative fees vary, typically less than 1%	Annual administrative fees are typically much greater than 1% of fund balance
Privacy	Anonymity, if desired	A private foundation's tax return, which includes the names of its contributors, is public record
Family Involvement	Donor can involve family & heirs in charitable giving	Donor can involve family & heirs in charitable giving
Fund Establishment	Can be established during lifetime, &/or through trust or estate	Can be established during lifetime, &/or through trust or estate
Grantmaking & Grant Administration	Verifies tax-exempt status of grantees	Perform, contract, or hire personnel for these services

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