The Brave New World of Charitable Giving
Tax Reform, Our Donors and Their Gifts During Life and at Death

Florida Council of Independent Schools (FCIS)
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What does income tax reform mean for our donors?

• The “Postcard Dream” – big increase to the income tax standard deduction
  o $13,600 for single and over 65 ($12,000 for younger)
  o $25,300 for surviving spouse and over 65 ($24,000)
  o $26,600 for joint return over 65 ($24,000)

• Primary itemized deductions
  o State and local taxes - now capped at $10,000
  o Mortgage interest – uncapped on first $1,000,000/$750,000
  o Medical expenses - only if over 7.5% of AGI
  o Charitable gifts – 60% of AGI for cash gifts now (30% of AGI for appreciated assets); five-year carry-over remains
What does that mean for their charitable gifts?

• May just be…charitable…

• But still “deductible”

• Bunching?

• Donor advised funds and private foundations?

• Getting creative - tuition support vs. charitable gift, perhaps? (dovetails with use of expanded Section 529 accounts and potential STATE tax benefits)
Never, never forget the IRA – the "Double Dip"

- Qualified Charitable Distributions (QCDs) from IRAs now “permanent” for up to $100,000/year
- Satisfies the RMD!
- And does not even enter into AGI
  - Does not affect Medicare premium costs
  - Does not affect taxability of other income, such as Social Security
  - Does not affect capital gains tax rate (as low as 0% if income less than $20,000 or so for married filing jointly; 15% up to $600,000)
- Still get to take the standard deduction with respect to other income – the Double Dip!
- Make sure donors do it correctly
  - Only from an IRA (not 401(k) or 403(b))
  - Must be 70.5
  - Transfer must be DIRECTLY from the IRA custodian to the public charity (your school)
Estate taxes – up, up and…away?

• Exemption increased to $11,800,000 per person for 2018 and remains portable between spouses

• 25 years ago, the exemption was $600,000 per person (and not portable)

• Increases each year with inflation through 2025, and then sunsets back to approximately $6,000,000 per person as of 1/1/2026, under current law

• 3,500 taxpayers estimated to actually pay estate tax in 2018

• Northeast Florida has approximately 0.33% of the nation’s population, which would mean approximately 10-12 estates paying estate tax each year...
The "Will/Trust Fallacy" and Ignoring the IRA

- More about IRAs? Yes! And this time includes 401(k), 403(b), etc.
- 2018 Federal estate tax exemption and rate - $11,180,000; 40%
- Top marginal Federal income tax rate - 37%
- New York City top marginal state and local income tax rate – 12.5%
- Think about (deferred) income taxes, not estate taxes!
- And always remember that retirement assets (and life insurance) pass by beneficiary designation, and NOT under a will or trust
- That means donors don’t have to pay a lawyer to make or change a beneficiary designation!
No one said there would be math...

- Grace the Giver’s Assets:
  - $400,000 Non-IRA investment account
  - $300,000 IRA
  - $100,000 Checking and Savings
  - $800,000 TOTAL (10% = $80,000)

- 0.0% estate tax concerns now or in the reasonably conceivable future...
- Give 10% of the whole to charity under Will or Trust = $0 estate tax savings; up to $150,000 of deferred income taxes “lurking” in IRA
- Give 10% of the whole to charity under IRA = $0 estate tax savings; up to $40,000 of income tax savings to beneficiaries

- 10% of assets passing under Grace’s IRA = $30,000
- 10% of assets passing under Grace’s Will/Trust = $50,000
- 10% of total assets passing at Grace’s death = $80,000
- Big difference between “10% of the assets passing under this will/trust” and “10% of the total assets passing by reason of my death, including by beneficiary designation”; OR correct IRA beneficiary = 27%
TELL US WHAT YOU THINK!

Share your reflections and takeaways with the FCIS community!
#FCISConv2018

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2) Open the app and select FCIS CONVENTION.
3) Select the THURSDAY button.
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