

THE COMPASS CHURCH

CHARITABLE GIVING CONSIDERATIONS FOR 2020

In response to the COVID-19 crisis, the **Coronavirus Aid, Relief and Economic Security (CARES)** Act was signed into law by the President on March 27, 2020. It has many significant provisions that impact individuals, charities, and businesses.

Here are some important aspects which may influence you and your charitable giving plans for 2020.

CHARITABLE DEDUCTION FOR NON-ITEMIZERS

CARES provides non-itemizers with an "above-the-line" annual deduction for charitable cash contributions of up to \$300. This means individuals who do not itemize their deductions can still deduct up to \$300.

SUSPENSION OF LIMITATION ON CASH GIFTS

Where pre-CARES Act, taxpayers cash gifts were limited to no more than 60% of the adjusted gross income (AGI); for 2020 only, individuals making cash gifts to a qualified charity (like The Compass Church) may elect to increase this limit to 100% of their AGI.

This is an opportunity for those planning major cash gifts (perhaps toward our Expansion Fund/RISE UP campaign) to eliminate or greatly reduce income taxes in 2020.

Note, this expanded limitation does not apply to gifts to donor-advised funds (DAFs).

Deductions for gifts of appreciated securities (stocks, mutual funds, etc.) will still be subject to their normal limitation of 30% of adjusted gross income.

For 2020 only, the limitation on corporate cash gifts has been increased to 25% (vs. 10%) of taxable income.

TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

For 2020 only, required minimum distributions (RMDs) from retirement accounts are waived. The intention is to give a break to taxpayers who would otherwise have to withdraw RMDs from retirement accounts, which may be diminished because of significant investment declines.

If you are a supporter of The Compass Church who is over age 70 1/2, you may still find it prudent to make tax-free charitable distributions (QCDs - **Qualified Charitable Distributions**) from your individual retirement accounts (IRAs), especially if your investments are still in good shape since tax-free distributions now will reduce future RMDs. QCD contributions are limited to \$100,000 per individual per year.

The effect of these new tax provisions will impact people in different ways. If your IRA investments are significantly down in value, you may decide that in 2020 you will not take either a direct RMD or make a qualified charitable distribution. Instead, you may choose to make a larger QCD in 2021 when you see your investments recover and when you will again be required to take a RMD.

DON'T LET THE CARES ACT OVERSHADOW SIGNIFICANT CHANGES IN SECURE ACT

The SECURE (**S**etting **E**very **C**ommunity **U**p for **R**etirement **E**nhancement) Act was signed into law by the President on December 20, 2019. It made some very significant changes to required retirement distributions that will require careful planning for good stewardship.

Retirement plans such as IRAs, 401(k)s, and 403(b)s that have a beneficiary other than a spouse must be distributed within ten years of the owner's death. Tax-wise, this is significantly less beneficial than the long-time prior rule which allowed the beneficiary to withdraw the assets gradually over the beneficiary's life expectancy. This was referred to as a "stretching out" of the distribution.

Now beneficiaries, usually family members of the account owner, will be forced to take distributions within a shorter time frame, pay taxes earlier, and probably at higher rates. With careful estate planning, this can be addressed.

Unfortunately, distribution planning is often left to the beneficiary who may not be knowledgeable of the tax consequences.

Make sure you sit down with an estate planning professional to consider wise stewardship solutions to this change in the law.

NOTE: Please consult your tax advisor or estate planning professional before taking any action.

As we continue to navigate our way through these changing seasons together, rest in this - God is in control, and, the mission of The Compass Church continues to move forward with your faithful support.

For questions or more information, contact stewardship@thecompass.net.