

CHARITABLE GIVING: AN INSIDER'S PERSPECTIVE OVERVIEW



POTENTIAL BIDEN TAX PLAN

INCOME TAXES

Retain the current income tax rates of 10%, 12%, 22%, 24%, 32% and 35%. Increase the top income tax bracket from 37% to 39.6%

CAPITAL GAINS

Retain three brackets (0%, 15%, and 20%). However, for those with income above \$1 million, long-term capital gains and qualified dividends will be taxed at the ordinary income tax rate of 39.6%

ESTATE TAX

Reduce the estate tax exemption to \$3.5 million per person. The current estate tax exemption is \$11.58 million per person

STEP-UP IN BASIS

Eliminate the step-up in basis rule of inherited property at death

ITEMIZED DEDUCTIONS

Cap the benefit of itemized deductions to 28% of the value for those earning more than \$400,000

WHAT IT MEANS TO YOU | *How tax reform affects your philanthropic goals.*

FOUR QUICK TAKEAWAYS:

1.

Accelerating Income

Higher future tax rates for both capital gains and ordinary income may lead high income individuals to consider acceleration of income this year. Some suggestions for acceleration of income:

- IRA distributions
- Roth conversions
- Gain harvesting (particularly for those over \$1 Million of income)
- Deferring business deductions

2.

Charitable Contributions

Biden's tax plan will limit the benefit of charitable deductions to a 28% rate even for taxpayers in a higher tax bracket. High income taxpayers should consider maximizing charitable gifts this year to insure that the tax benefit of their charitable gift tax is maximized at their higher current tax rate. Gifts of appreciated securities is especially attractive at this time due to the recent highs in the stock market.

3.

Consider establishing a Donor Advised Fund: Who does it appeal to?

- Donors with a high income year, but wishing to spread charitable gifts over future years
- Donors who plan relatively small annual charitable gifts who otherwise would not benefit from itemizing
- Donors who plan to fund many small charitable gifts with proceeds from securities
- Donors whose planned contributions are insufficient to justify the cost of a private foundation or supporting organization

4.

Consider your end-of year giving.

Because of a potential reduction in the lifetime exemption for estate and gift taxes under the Biden Plan, high net worth taxpayers should consider additional gifts to family or others before the end of the year.



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