



Charitable Giving Provisions in the Consolidated Appropriations Act of 2021

Known as the Second Stimulus Act or the Consolidated Appropriations Act ("the Act") of 2021, there are three key rules that may impact charitable giving in this upcoming year. These are primarily modifications to the charitable giving rules that were contained in the coronavirus stimulus package (the CARES Act) that was enacted in March of 2020, in addition to the reinstatement of RMDs.

1. \$300/\$600 Charitable Tax Deduction for Non-Itemizers

Established with the CARES Act in 2020, this policy allowed individuals a simple deduction for up to \$300 in cash donations to qualified charities. The Consolidated Appropriations Act expands this benefit to a \$600 deduction for those married and filing jointly. In other words, in 2020, single filers *and* married couples filing jointly were limited to a maximum deduction of \$300, but this has now increased. This expanded benefit is only applicable for gifts made in 2021 and not in 2020. Also, in addition to outright gifts to charities, this is applicable to charitable gift annuities but not to charitable remainder and lead trusts, nor gifts to private foundations or DAFs. An associated provision in the Act has increased penalties for people who have inappropriately claimed this deduction but have not in fact made the charitable gift.

2. Extension of 100% AGI Deduction for Cash Gifts

For donors who have the capacity to donate their entire adjusted gross income (AGI) to charity, the 100% AGI deduction established with the CARES Act has been extended through 2021. This extraordinary deduction expands the ability for donors to deduct a larger portion of their adjusted gross income even if they do not make gifts that reach this threshold. To note, this expanded deduction is only for cash, and may expire after 2021. Like the non-itemizer's deduction described above, this provision does apply to charitable gift annuities, but not to split-interest gifts such as charitable remainder and lead trusts, or gifts made to private foundations or DAFs.

3. RMDs *are* Required in 2021

The Required Minimum Distribution (RMD) for IRA owners 72 or older that was waived in 2020 has been reinstated. Because the RMD will increase an individual's taxable income and possibly bump that person up into a higher tax bracket, it has proved to be a motivation for making charitable gifts from this particular asset, and now that motivation has returned. As a refresher, individuals who make gifts to charity with assets from their IRAs can make a direct transfer of up to \$100,000 to charity with a Qualified Charitable Distribution (QCD), and can fulfill their RMD by doing so. Hence, the reinstated RMD may provide an incentive for donors to make gifts from their IRAs in the form of Qualified Charitable Distributions (QCDs).

The Office of Gift Planning is available to answer any questions you may have about these provisions and we continue to be a resource for bequests and other planned gifts during this time. Please feel free to reach out to us at giftplan@uchicago.edu or 773-702-3130.

The Office of Gift Planning

The University of Chicago
5235 South Harper Court
Chicago, IL 60615
giftplanning.uchicago.edu
giftplan@uchicago.edu
866.241.9802

These materials are intended to provide general information that we hope will be helpful to you in your tax, estate, and charitable planning. It is not intended as legal advice and should not be relied upon as such. Figures, calculations, and tax information are based on federal tax laws, regulations, rulings, and rates applicable at the time such information was prepared and are for illustration purposes only. Individual state laws may affect the availability of gift annuities. For advice or assistance with your situation, you should consult an attorney or other professional adviser.