

# CHARITABLE PLANNING OPPORTUNITIES

In Preparation for a Potential Biden Tax Plan

## Biden Proposal

### Reduction of Gift and Estate Tax Exemption Amounts

**Current Law:** \$11.58M per person exemption (this sunsets to approx. \$6M in 2026); 40% tax on every dollar above that exemption.

**Biden Plan:** \$3.5M per person exemption; 45% tax on every dollar above that exemption.

## Possible Charitable Solutions

### – Lifetime Gifts to Charity

By making lifetime gifts to charity, individuals can reduce the size of their taxable estate and also enjoy an income tax deduction.

### – Charitable Bequests

Estate gifts to charitable organizations generate an estate tax deduction that will reduce the size of the taxable estate.

### – Charitable Lead Trust

An irrevocable trust funded during life or at death that makes annual distributions to charity for a trust term, after which assets revert to the family. This trust is intended to reduce or zero out gift, estate and Generation Skipping Transfer taxes.

### Increase in Ordinary Income Tax Rates

**Current Law:** Top marginal tax rate at 37%.

**Biden Plan:** Top marginal tax rate at 39.6%.

### IRA Qualified Charitable Distributions

Individuals who are 70½ and older can make direct gifts up to \$100,000 from their IRA to public charities and those amounts will not be included in their taxable income.

### Limitation of Tax Reduction Benefit from Itemized Deductions

**Current Law:** Itemized deductions generate tax savings at whatever top marginal tax rate applies to a taxpayer in the particular year, the highest being 37% currently.

**Biden Plan:** Limit tax savings benefit to a maximum rate of 28%.

### Bundling or Accelerating Charitable Gifts

Individuals in tax brackets that exceed 28% should “bundle” or accelerate gifts in 2020 that they plan to give in 2021 and later in order to take advantage of higher tax savings.

## Biden Proposal

### Elimination of Step-up in Basis at Death

**Current Law:** Heirs inherit appreciated assets with a cost basis “stepped-up” to the date of death value.

**Biden Plan:** Heirs inherit the individual’s cost basis, which will result in capital gains taxes when they sell the property.

## Possible Charitable Solutions

### – Hybrid Charitable Gift and Sale

A portion of the property is donated to charity while the remaining portion is sold for cash. The tax deduction from the donation to charity offsets or reduces the capital gains taxes on the sale portion.

### – Charitable Remainder Trust

An irrevocable tax-exempt trust that avoids payment of capital gains tax on the sale of appreciated assets and provides an income stream to the individual or other beneficiaries for the trust term, after which all the trust assets go to charity/ies.

### Elimination of Preferential Treatment of Capital Gains Taxes and Qualified Dividends

**Current Law:** Top rate on capital gains and qualified dividends is 20%.

**Biden Plan:** Top rate on capital gains and qualified dividends becomes 39.6%.

### – Hybrid Charitable Gift and Sale

A portion of the property is donated to charity while the remaining portion is sold for cash. The tax deduction from the donation to charity offsets or reduces the capital gains taxes on the sale portion.

### – Charitable Remainder Trust

An irrevocable tax-exempt trust that avoids payment of capital gains tax on the sale of appreciated assets and provides an income stream to the individual or other beneficiaries for the trust term, after which all the trust assets go to charity/ies.

---

*This is not professional tax or legal advice. Please consult your tax advisor about your situation.*

Thompson & Associates can help reappraise plans today to proactively respond to these potential changes. An estate plan review can benefit both those who are new to the Thompson process as well as anyone who has already completed the process in the past.

---

#### About Thompson & Associates

Thompson & Associates partners with nonprofits to provide estate planning services to their supporters. We give supporters an opportunity to work closely with an independent advisor to provide peace of mind through a confidential, complimentary and pressure-free estate planning process. We help individuals clarify their values to develop a plan that reduces uncertainty, freeing them to make a lasting impact on their family, community and the world.

