

The New Tax Law— What Are the Opportunities?



Among the recent revisions to the tax code, there are implications for your charitable giving. First, donors may deduct up to 60% of their Adjusted Gross Income (AGI), up from 50%. While that's great news, it will only apply to the small percentage of donors who itemize. The other changes may actually be problematic for many donors and the nonprofits doing the work that matters to them. Happily, Inland Northwest Community Foundation (INWCF) can help.

The Standard Deduction

The standard deduction—mortgage interest, state and local taxes, charitable giving and other select expenses—is now \$12,000 for individuals and \$24,000 for joint filers, up from \$6,350 and \$12,700 respectively. It is estimated that the percentage of people itemizing their deductions will drop from 30% to 4%. For some, that may affect their charitable giving. A change in giving patterns could have a negative effect on nonprofit budgets and cash management, but you can help. Here's how:

“Bunching” offers a solution. Bunching is the practice of consolidating multiple years of charitable giving into a single year through a Donor Advised Fund (DAF). Bunching makes it possible for donors to take advantage of the charitable deduction when their bunched gift combined with other eligible expenses exceed the standard deduction. The DAF allows donors to maintain their typical annual giving patterns while smoothing the contribution income that nonprofits receive.

What's a DAF

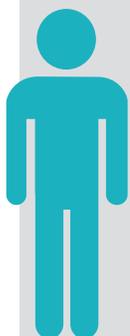
DONOR ADVISED are separate funds established at a public charity (see IRC Section 170(c)), often a community foundation, which has extensive knowledge of potential grantees, and local opportunities and needs. DAFs enable donors to enjoy any tax benefit for which they are eligible at the time of their gift. Over time, donors can make recommendations to the public charity about where grants from the DAF will go.

Reducing Taxable Income

People **70½** and older with Individual Retirement Accounts (IRAs) must take a Required Minimum Distribution (RMD) from their IRA. The Qualified Charitable Distribution (QCD), distributions made directly from the IRA to a charitable organization, reduce their taxable income. As a result, QCDs may reduce donors' tax bill, depending on their individual circumstances. This benefit applies even if you don't itemize.

While Donor Advised Funds are prohibited from accepting QCDs, INWCF has other donor options. You can give to an existing fund or create a fund that matches your philanthropic goals. The key is for donors to specify their wishes *prior* to INWCF receiving the gift.

Donating your Required Minimum Distribution Direct from IRA to Nonprofit Organization



Participants need to be 70 ½ and older

QCDs distributed directly from the IRA to the charitable organization can reduce taxable income.

Maximum \$100,000 per person



Individual Retirement Account



Agency, Designated, Area of Interest & Other Funds

* Donor Advised Funds are currently excluded from QCD eligibility.

New Estate Tax Levels

The new tax law also includes a significant change regarding estate planning, roughly doubling the federal estate tax exemption to \$11 million for individuals and \$22 million for couples. However, the 2018 Washington State exemption for estate taxes is \$2.193 million per person. Estates in excess of the exemption amount are subject to a 10% - 20% tax on all assets over the exemption amount.

So, updating your will and other estate planning documents is as important as ever.

What can you do?

AS A DONOR:

If you don't already have a DAF, consider starting one. It's easy! Call us at 509-624-2606.

If you are eligible for a QCD from your IRA, consider directing your RMD to one of the INWCF's fund options (see below) or to INWCF itself.

Talk to your professional advisors about the implications of the new law on your individual situation.

Choose one or more of these options provided by INWCF:

Choose from more than **100 agency funds** at INWCF. Grants from DAFs, IRA rollovers and gifts of other complex assets can be used to support one or more funds established to benefit specific nonprofits.

Support the **Community Grants Fund**. Your gift can help ensure more awards are made to fulfill some truly great community needs when nonprofits compete for community grants.

Fund a **Community Initiative**, such as Opening Books, Opening Doors, addressing K-3 reading proficiency in Coeur d'Alene, and Building Community Philanthropy to break cycles of intergenerational poverty in rural Eastern Washington.

Give to the **Civic Leadership Fund** to help fund cutting edge research, major forums and convenings, task forces and coalitions, strategic, proactive grantmaking, communication and media, deep public policy work and to help advance legislative solutions.

Set up a named **Area of Interest Fund** to support community grants in a specific program area or set up a **Community Fund** that will support the changing needs in our region each year.

Become a **Partnership Fund** donor. Donors receive special recognition for gifts to the Partnership Fund or Administrative Endowment. These gifts are critical to supporting INWCF's administrative and program operations that ensure our work focuses on making our region a great place to live and work.

INWCF does not provide tax or legal advice. Please consult your professional advisor(s) to discuss your individual situation.

Thank you to Whatcom Community Foundation for brochure template.

