

# REMEMBERING WOFFORD

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WOFFORD

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A newsletter about gift planning | Fall 2018

## FROM THE EXPERTS: NEW TAX LAW AND CHARITABLE GIVING

I've gotten a lot of questions over the past few months about the Tax Cuts and Jobs Act, which was passed into law at the end of 2017 and represents the largest overhaul to our income tax system in 30 years.

As a CPA, one question that I often hear is: "How will this affect my charitable giving?" The short answer is that while there were several changes that affect the deductibility of charitable contributions, there are tax-saving strategies available — even more beneficial under the new law — that allow donors to continue to impact organizations they care about, such as Wofford College.

In an effort to simplify individual tax returns, the standard deduction was increased from \$12,700 in 2017 to \$24,000 in 2018 for married couples (divide these amounts in half for single individuals). There is still an additional deduction for couples who are 65 or older (\$1,300 in 2018 for joint returns), but personal exemptions have been eliminated as a result of the increase in the standard deduction. These changes make it less necessary for some people to track expenses that go into the calculation of itemized deductions, such as medical expenses, property taxes, mortgage interest and charitable contributions. The new tax law also places a cap of \$10,000 on total state and local taxes that can be itemized. One impact of these changes is that there will be many people who no longer receive a tax benefit for their charitable contributions if made in the same way as previous years.

For anyone who is 70 ½ or older and is required to make withdrawals from an IRA, a qualified charitable distribution (QCD) is an effective giving strategy. QCDs allow you to continue to receive a tax benefit from the charitable contribution, regardless of whether you itemize or take the standard deduction. Because QCDs are transferred directly to the nonprofit organization, they are completely excluded from taxable income, meaning you could save up to 37 percent of the donation in taxes (at the new highest individual rate). In some cases, this strategy can save taxes in other ways, for example, decreasing the amount of Social Security received that is subject to income taxes or keeping you in a lower tax bracket.

The tax benefits of QCDs can be significant, even more so than in previous years thanks to the new tax law. Keep in mind that everyone's financial situation is unique, so you will want to talk with your tax preparer to understand how you could benefit from this approach.

*Jack C. Richardson '08, CPA with SwaimBrown (Spartanburg)*



TAXABLE INCOME:	TRADITIONAL CHARITABLE CONTRIBUTION	QCD FROM IRA	DIFFERENCE
Taxable IRA Distributions	\$20,000	\$10,000	(\$10,000)
Other Taxable Income	\$100,000	\$100,000	-
<b>Adjusted Gross Income</b>	<b>\$120,000</b>	<b>\$110,000</b>	<b>(\$10,000)</b>
<b>LESS THE GREATER OF:</b>			
Itemized Deductions	\$20,000	\$10,000	(\$10,000)
Standard Deduction	\$25,300	\$25,300	-
<b>TAXABLE INCOME</b>	<b>\$94,700</b>	<b>\$84,700</b>	<b>(\$10,000)</b>
<b>FEDERAL TAX</b>	<b>\$12,713</b>	<b>\$10,513</b>	<b>(\$2,200)</b>

## FAQS ABOUT IRAS, RMDs AND QCDs

Congress requires individuals who are 70 ½ or older to take withdrawals, or required minimum distributions, from their individual retirement account (IRA) each year.

### What is a qualified charitable distribution (QCD)?

Up to \$100,000 of your annual RMD from IRAs may be distributed directly to a 501(c)(3) public charity, such as Wofford. This option is known as a qualified charitable distribution (QCD) and allows you to avoid additional income tax on the amount.

💡 *Tip: If you have your RMD set up for automatic distribution (monthly, quarterly or annually), make sure you adjust those payments based on any QCDs.*

### How much is the required minimum distribution?

The required minimum distribution varies based on the value of the individual retirement account and the age of the donor.

### Can a 401(k) be used?

No, a 401(k) cannot be used to make a QCD. You can only make tax-free transfers from an IRA.

### Can I take the distribution and divvy it up among my favorite charities?

Yes, you may distribute your QCD among multiple charities. However, it is important that you do NOT receive the money – if you do, it is considered income. Instead, donors need to contact their IRA administrator and ask that funds be sent directly to the charity or charities.

💡 *Tip: Plan administrators don't always include the donor's name or the designation on distributions. When making a QCD to Wofford, please contact Lisa De Freitas '88, director of gift planning, to ensure accurate recording of your gift.*

### What are the tax benefits?

An RMD distributed to charity as a QCD is not counted as income and, therefore, is not taxable. (Remember, these dollars have never been taxed.) This lower income has multiple benefits: It could help donors avoid the Medicare high-income surcharge, make fewer Social Security dollars taxable and keep donors in a lower tax bracket.

💡 *Tip: The responsibility is yours to inform your accountant that you made a QCD, otherwise your tax preparer will likely count the transaction as fully taxable. Wofford provides a letter of acknowledgment to be submitted with tax documents.*



### **Are there restrictions on when such a gift can be made?**

The donor must be 70 ½ by the date the QCD is made, and the transfer must be completed by your IRA administrator by Dec. 31.

💡 *Tip: Spouses also may make a QCD if they have an IRA in their name and are over the age of 70 ½.*

### **How does the new tax law affect qualified charitable distributions?**

There were no specific changes to this provision in the new tax law. However, due to the fact that more people may be taking standard deduction versus itemizing (particularly retirees), the new law may significantly increase the value of gifting RMDs to charity.

### **Which is more beneficial to the donor? Charitable gifting from an IRA or appreciated stocks?**

The answer used to be stocks because the donor experienced DOUBLE savings – no capital gains and a charitable deduction. If itemizing, this would still be true, but if the donor is taking a standard deduction, the IRA gift might be better. As always, check with your accountant or financial advisor.



## **WHAT'S NEXT?**

Turn your good intentions into action.

1. Call your plan administrator and request a qualified charitable distribution be made to Wofford College.
2. Contact Lisa De Freitas '88, director of gift planning, to share the good news of the planned gift to Wofford and how you would like it designated.
3. Visit [wofford.edu/supportwofford/giftplanning](http://wofford.edu/supportwofford/giftplanning) for more information about gifts of retirement assets.

Find details about each of these ways to give at [wofford.edu/supportwofford/giftplanning](http://wofford.edu/supportwofford/giftplanning).

For additional information, contact Lisa De Freitas, director of gift planning, at 864-597-4203, [defreitaslh@wofford.edu](mailto:defreitaslh@wofford.edu)

**Wofford's Tax ID Number: 57-0314422**

DONOR SPOTLIGHT:

## JAMES ELLIS GRIFFETH '64 & ELIZABETH THOMPSON

### How did you learn about the benefits of giving through your required minimum distribution?

Lisa De Freitas '88, director of gift planning at Wofford, provided us with details about the benefits and process of giving to Wofford through our RMD. Our financial advisor and tax preparer also informed us of the benefits of making charitable contributions via RMD.

### How did you decide that this form of giving was right for you?

We think that the increased standard deduction will be our choice going forward. RMDs are required and taxed but provide a deduction for charitable gifts made directly from the RMD. This method is especially advantageous in that it offers a tax deduction for charitable giving while taking the standard deduction. Another benefit of this method is that the organizations we support — such as Wofford — receive a lump sum gift from us early in the gift year.

### Why have you given so loyally to Wofford over the years?

I feel much gratitude for the educational opportunity Wofford offered when I was an undergraduate. Elizabeth and I enjoy staying connected to the Wofford community and are proud of how Wofford has grown and what it is becoming.



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## BUILD YOUR LEGACY AS A MEMBER OF THE BENJAMIN WOFFORD SOCIETY



We want to recognize and celebrate all donors who have decided to include Wofford in their estate plans. Some, however, hesitate to disclose their intent because of changing plans or amounts over time. Remember, a notification of a gift plan is not a binding pledge and providing gift estimates is always optional.

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Informing us of your intent to include Wofford in your estate plans provides the following benefits:

**You gain membership in the Benjamin Wofford Society**, which allows the college to recognize your generosity through special donor recognition events and opportunities.

**You may designate your gift** to your particular area of interest at the college.

**Your planned gift can be counted** in capital campaign totals.

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Return the enclosed response card to indicate the inclusion of Wofford in your estate plans or to request further information about gift planning options.

*Please note: If you have previously returned this response card to the Office of Gift Planning, you've already done your part, and we thank you!*

For more information about the Benjamin Wofford Society, visit [wofford.edu/supportwofford/giftplanning](http://wofford.edu/supportwofford/giftplanning).