



## PHILANTHROPIC INSIGHTS

### YEAR-END CHARITABLE GIVING 2021

# TIME TO RISE

THE MARQUETTE PROMISE TO BE THE DIFFERENCE



MARQUETTE  
UNIVERSITY

*As many individuals and families consider year-end charitable giving, we share several strategies<sup>i</sup> — **including a few incentives that are only available through 2021** — that many of our alumni, parents and friends are utilizing to make tax advantaged contributions.*

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### Timing of Year-end Donations

For donors to receive a charitable income tax deduction in tax year 2021, donations must comply with the following IRS rules:

- Cash and checks must be received by Marquette by Friday, December 31 if delivered in person or if sent using a private service like FedEx or UPS.
- Credit card gifts must be "fully processed" (i.e., approved by the credit card merchant) for the gift to be considered "delivered" by the December 31 due date.
- Donations mailed through the US Post Office must be postmarked by December 31.

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### 100% AGI Charitable Deduction for Cash Gifts – Ends 12/31/21

If you made a large cash gift in 2019 to a public charity like Marquette, you could deduct it only to the extent of 60% of your adjusted gross income (AGI). In response to COVID-19, Congress enacted the CARES Act in 2020 to incentivize charitable gifts. **This legislative provision, expiring at the end of 2021, allows you to deduct cash gifts to Marquette up to 100% of your AGI. In 2022, the deduction limit for gifts of cash returns to 60% of AGI, with a five-year carry-forward for any unused deduction.**

**Note:** Given this expiring incentive, you may want to consider a gift of cash or, if you have made a multi-year pledge to Marquette, you may want to accelerate payment of the pledge balance in 2021 if your financial circumstances allow you to do so.

### Limited Charitable Deduction for Standard Deduction Taxpayers – Ends 12/31/21

Through the end of 2021, the CARES Act allows taxpayers who take the standard deduction a special charitable deduction up to \$300 for individuals and \$600 for married couples for charitable gifts made this calendar year.

### Lower IRS Discount Rate Ending 12/31/21 – Provides Additional Incentive for CGAs and CLTs

The IRS discount rate used to compute income, gift and estate tax charitable deductions has increased from 1.0% in October to 1.6% in December, with additional increases likely in the coming months. October's rate will be available through December 31, but after that the IRS discount rate may not be as low as 1.0% for some time.

**Note: For donors considering a charitable gift annuity who take the standard deduction, this situation provides a tax incentive to fund a CGA before the end of the year.** The lower IRS discount rate provides a smaller deduction for a gift annuity, but it also provides a greater tax-free portion of each annuity payment. Since donors who do not itemize get no benefit from the charitable deduction, it is best for them to maximize the tax-free portion of their payments by choosing the lowest IRS discount rate available. **For donors considering a charitable lead trust, there is a tax incentive to fund the CLT while the lower October rate is still available since the lowest IRS discount rate produces the highest income, gift and estate tax charitable deduction amount.**

## IRA Rollover

The SECURE Act enacted in December 2019 modified the age at which IRA participants in qualified retirement plans were required to take distributions from age 70 ½ to age 72. However, if you want to continue to utilize your IRA for charitable giving, the tax-free transfer from an IRA directly to Marquette, known as the IRA Charitable Rollover (or Qualified Charitable Distribution or QCD), is still available to anyone age 70 ½ or older. The annual limit for the direct rollover remains \$100,000 per individual or \$200,000 for married couples with individual IRAs. **Please [visit our website](#) for Marquette's IRA rollover instructions.**

**Note #1:** If donors wish to take funds from their IRA to contribute more than \$100,000 to Marquette, the additional amount will not be excluded from their gross income. Instead, given the charitable deduction limit modifications, donors can deduct the additional amount this year to the full extent of their AGI.

**Note #2:** With the CARES Act allowing individuals to deduct 100% of their AGI for charitable cash contributions, individuals over 59½ years old are effectively afforded the same benefits offered by QCDs. They can take a cash distribution from their IRA, contribute the cash to Marquette and completely offset the tax attributable to the distribution by taking a charitable deduction in an amount up to 100% of their AGI for the tax year. If you're planning a large donation in 2021, this may be a smart strategy if you are between the ages of 59½ and 70½ and are not dependent on existing retirement funds.

## Appreciated Securities

Directly donating low-basis, long-term securities to Marquette remains a tax-wise strategy. If you itemize your deductions, you can claim a charitable income tax deduction for the fair market value of the donated securities and avoid capital gains tax on the stock's appreciation. If you no longer itemize, donating appreciated stock still provides the benefit of not having to pay tax on the appreciation (see Bundling Gifts below for a creative alternative). **Please [visit our website](#) for Marquette's stock transfer instructions.**

## Charitable Bequests

A charitable bequest to Marquette included in your will or revocable trust might be an option to consider. By making a bequest, you maintain control of your assets during your life. A bequest does not provide a lifetime income tax deduction, but it offers flexibility and, if applicable, an effective way to reduce your taxable estate.

## Donor Advised Funds

Grants recommended for distribution to Marquette University by individuals who have established donor advised funds are always appreciated. For the convenience of our alumni, parents and friends who have donor-advised funds, Marquette's legal name, address and federal tax ID number for your DAF administrator are as follows:

Marquette University  
Attn: University Advancement / Amanda Cose  
P.O. Box 1881  
Milwaukee, WI 53201-1881  
Tax ID: 39-0806251

## Bundling Gifts

By significantly increasing the standard deduction, the Tax Cut and Jobs Act of 2017 made it strategic for many individuals to bundle several years of charitable contributions in one year. Considering the standard deduction for tax year 2021 is now \$12,550 for single filers, \$18,800 for heads of household and \$25,100 for married filers filing jointly (plus an additional entitlement if you are 65 years or older), as well as applicable

deduction limits on state and local taxes, many individuals are now “bundling” two or more years of donations or pledge payments into one year to exceed the standard deduction. Deductions can then be itemized every other year to generate a tax benefit from charitable giving.

### **Guaranteed Life Income Opportunities**

If you seek guaranteed income for yourself or a loved one now or in the future, a **charitable gift annuity or charitable remainder trust** are options to consider. In addition to receiving a fixed or variable stream of income, you will also receive a charitable income tax deduction. If the gift is funded with appreciated securities or other appreciated assets, you may also reduce the capital gains tax due.

### **Charitable Lead Trusts**

The Treasury percentage rate that affects the computation of income, gift, and estate tax charitable deductions, known as the “7520 Rate,” is at one of the lowest rates of all time. The current interest rate environment, combined with looming tax increases and a potential decrease in the gift and estate tax exemption, make this an opportune time to consider establishing a charitable lead trust (CLT). CLTs are most effective in a low-interest-rate environment since the lowest IRS discount rate produces the highest deduction amount. For affluent families who are charitably inclined, the CLT provides a unique opportunity for strategic tax planning, whether the goal is obtaining a sizeable up-front charitable income tax deduction to offset significant taxable income (grantor CLT) or minimizing gift and estate taxes for the ultimate passing of assets to heirs (non-grantor CLT).

**For additional charitable giving ideas, including life insurance, retirement asset beneficiary designations and real estate transfers, please visit our [Marquette Planned Giving webpage](https://marquette.giftplans.org) at [marquette.giftplans.org](https://marquette.giftplans.org). Alternatively, you can directly contact Marquette’s planned giving team for additional detail and insights:**

- **Cathy Steinhafel, senior director of development, (414) 288-6501 or [catherine.steinhafel@marquette.edu](mailto:catherine.steinhafel@marquette.edu).**
- **Steve Farwig, director of development, (414) 288-0214 or [stephen.farwig@marquette.edu](mailto:stephen.farwig@marquette.edu).**
- **Eileen Jennings Strachota, director of development, (414) 288-0344 or [eileen.jennings@marquette.edu](mailto:eileen.jennings@marquette.edu).**

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<sup>i</sup> *IRS Circular 230 Notice: Marquette University does not provide legal, tax, or financial advice. We urge you to seek the advice of your own legal, tax, or financial professionals in connection with gift and planning matters. This communication (including any attachments) cannot be used for the purpose of avoiding tax-related penalties. Marquette University is a 501(c)(3) nonprofit organization located in Milwaukee, WI. EIN:39-0806251.*