Tax Changes for Charitable Sector, IRAs Signed into Law

Over the busy holidays, it was easy to miss the fact that the federal budget bill signed into law in late December included important tax changes for the charitable sector and estate planning. This week, I’ll focus on the aspects of the Taxpayer Certainty and Disaster Tax Relief Act of 2019 and the Setting Every Community Up for Retirement Enhancement (SECURE) Act that most likely affect our donors.

Private Foundation Excise Tax Simplified
Good news for private foundations! The complicated and difficult-to-administer two-tiered system of calculating excise tax on investment income (2% unless complex requirements for 1% could be met), has been replaced with a flat, revenue-neutral rate of 1.39%. The Council on Foundations has long advocated for a flat rate, noting that the old system demanded constant monitoring and adjustment of investments and giving, and was a deterrent to making donations to meet unanticipated needs. The 1.39% flat rate is effective January 1, 2020, so the change will not impact the 2019 tax year for calendar year foundations.

Special Treatment for Disaster Relief Donations
Because of the unfortunate multitude of natural disasters requiring a philanthropic response in the last few years, a special temporary exception to the limits on charitable tax deductions for disaster relief donations is being made. Normally it is not permitted to deduct contributions exceeding 60% of an individual’s adjusted gross income or 10% of a corporation’s taxable income (with contributions in excess of this amount generally carrying over for up to five taxable years). The change suspends these limitations for contributions to public charities for relief efforts in response to disasters declared by the President for contributions made in 2018, 2019, and within 60 days of passage. To take advantage of this for 2020, make your cash donation by February 18th.

SECURE Act = Changes for IRAs
The SECURE Act includes many reforms to expand participation and savings in retirement plans. Policy changes impact defined contribution and benefit plans, 529 plans and IRAs. Regarding IRAs specifically, effective January 1, 2020, and beyond, the Act:

• Removes the age limit (formerly 70.5) on contributing to a traditional IRA for working people with earned income.
• Shifts the beginning age for Required Mandatory Distributions from 70.5 to 72.
• Changes the rules for IRAs inherited from someone who passes after December 31, 2019 (no changes if the person passed prior). While the change does not apply to spouses, minor children or the chronically ill or disabled, most other beneficiaries will be required to withdraw all assets within 10 years with more onerous tax burdens.

That last bullet, already dubbed “the death of the stretch,” calls for a review and reworking of estate planning for anyone relying on an IRA to extend income over a beneficiary’s life expectancy and/or with minimal tax implications.

Sorry folks, no change in the law that prevents funding a Donor Advised Fund from an IRA! The Foundation will keep working on that one through our membership in the national Council on Foundations.

Farmers’ Market News

All You Can Nuts
It’s worth a trip to our Monday and Thursday marvelous Farmers’ Market to view the selection of dried fruits and nuts at Salvadore’s All You Can Nuts collection from all over the world. There are dozens of colorful fruits that you won’t find in other specialty markets. Among them are strips of orange peel, chunks of dried cantaloupe, jumbo dried peaches, spicy tamarind from Columbia and Venezuela, dates from Israel, jumbo figs from Greece, pineapple and kiwi strips and more. The selection of nuts, both salted and unsalted, is just as impressive. The temptation to buy comes after you’ve sampled your heart’s desire, a gracious offer by Salvadore.

Grass Fed Pet Treats
Grass Fed Pet Treats is another winner for our Market. Purveyor Dale has several free-range treats for man’s best friend and pet kitten. They include chicken, carrot, liver and mussel treats, all natural with no genetically altered ingredients. She features bully sticks that your pet will love. Dale’s stand holds a sign - My Kids Have Paws - and her dedication to your pet’s health is found in her products. She supplies raw pet food to Navy Seals’ dogs or as she affectionately calls them Frog Dogs. Dale ships her products all over, the furthest customer is in Italy. Grass Fed Pet Treats will be at the Market on Thursdays.

And More!
Revisit our loyal purveyors and treat yourself to: stunning orchids, cheeses, oils, Mediterranean foods, pasta and sauces, fresh fruits and vegetables, breads and pastries, fresh fish and shellfish, plus more. See you at the Market!