



# The CARES Act of 2020 and the SECURE Act of 2019: New Laws Affect Charitable Giving



RICE

TO RICE BE TRUE  
*A Bold Gift Planning Initiative*

*Paying It Forward: Philanthropy Matters*

## The CARES Act of 2020

The Coronavirus Aid, Relief and Economic Security Act (CARES Act)—How does it impact my charitable giving?

The CARES Act, which was signed into law on March 27, 2020, included some provisions relevant to charitable contributions and charitable strategies for retirement plans. In our ongoing mission to keep you informed about changes in the law that impact charitable giving and retirement plans, we provide the following information.

### Gift Options in 2021

There are additional choices for charitable giving in 2021 depending on whether you itemize deductions. In 2021, the standard deduction for a married couple filing jointly is \$25,100 and \$27,800 if both are age 65 or older.

- **If you itemize**, you may deduct cash charitable contributions of up to 100% (an increase from 60%) of your adjusted gross income.
- **If you don't itemize**, you may claim a brand new “above-the-line” adjustment of up to \$300 per taxpayer (including \$600 per married filing jointly) for cash donations to charity you make this year.
- **In both situations**, donations to donor-advised funds and certain organizations that support public charities do not qualify. Rice is a qualified charity and is grateful to receive these gifts under the CARES Act.
- **The IRA Charitable Rollover** gift (also called a qualified charitable distribution from your IRA) remains an available giving option for 2021. As long as you are at least 70½, you can still make a qualified charitable distribution from your IRA of up to \$100,000. This distribution will satisfy your required minimum distribution if you have one in 2021. You may also exclude the distribution from income (adjusted for tax-deductible contributions you may have made to your traditional IRA, if any, after age 70½). Making a charitable IRA rollover gift to Rice during any tax year also enables you to save other tax-favored, non-retirement assets to pass ultimately to beneficiaries like your children.

- If you have a **donor-advised fund**, this may be the year to request a grant to support one or more of your favorite Rice missions without having to use other funds that you may need during this time of economic turmoil.

Of course, you and your tax advisor are in the best position to explore various options and to determine how changes in tax law affect your personal financial, charitable and tax plans. We are always happy to meet with you and your advisor to assist in any way we can. For more information about tax changes or charitable giving in support of Rice, please call us at 713-348-4624, or email us at [giftplan@rice.edu](mailto:giftplan@rice.edu).

## The SECURE Act of 2019

The SECURE Act, which stands for “Setting Every Community Up for Retirement Enhancement,” puts in place numerous provisions intended to strengthen retirement security across the country. The SECURE Act will significantly impact retirement plan accumulations and distributions for the immediate future. As a consequence, many donors will find it helpful to meet with advisors to review plans and to determine how, when, and if changes to current plans should be made.

There are two especially important provisions that will affect the way donors think about retirement planning in the immediate future. First, the required minimum distribution age is extended to 72. Second, the “stretch” provision, once available for an IRA beneficiary’s lifetime, has been reduced to ten years.

### How have the minimum distribution rules changed?

Beginning in 2020, required minimum distributions (RMDs) from qualified accounts must begin at age 72 instead of age 70½.

## How do changes in RMD rules affect qualified charitable distributions (QCDs) from IRAs?

The rules regarding QCDs have not changed. An IRA owner age 70½ or older can still give by making a qualified charitable distribution from an IRA. The QCD counts toward the IRA owner's required minimum distribution if one is due.

## What about contributions to traditional IRAs after age 70½?

The SECURE Act also changed rules regarding contributions to traditional IRAs after age 70½. Prior to the new Act, contributions were not allowed after age 70½. Now, there is no age restriction on making IRA contributions if the IRA owner has taxable compensation. A working spouse may also contribute to a traditional IRA for a non-working spouse, regardless of age.

## Do contributions to an IRA after age 70½ impact qualified charitable distribution opportunities?

Yes. If an individual makes contributions to a traditional IRA after age 70½, any intended QCD will be reduced by the total amount of post-age 70½ traditional IRA deductible contributions that were not previously used to offset an earlier, prior year QCD. Please consult with your advisor regarding specific calculations.

## Why am I hearing about “stretch” provisions?

“Stretch” provisions allowed non-spouse beneficiaries of IRAs (and other qualified accounts) to take required minimum distributions over the beneficiary's lifetime. This rule let beneficiaries significantly stretch the period over which funds would ultimately be received and taxed. The SECURE Act limits the stretch period to 10 years for most non-spouse beneficiaries; however, there are no specific requirements for how those funds must be distributed during the 10-year period.

## **Reminder One:** The value of giving from an IRA

For those who are eligible (age 70½ or above), a qualified charitable distribution from an IRA can be a tax-wise giving strategy, even when no RMD is required. The QCD amount (annual aggregate limit of \$100,000 per donor) is not counted as income,\* which means no tax is due.

*\*Consult your advisor if you also made tax-deductible contributions to your IRA while 70½ or older.*

## **Reminder Two:** The possible role for a Charitable Remainder Unitrust

Because of the change in “stretch” provisions, some donors may find value in naming a charitable remainder trust (CRT) the beneficiary of retirement account funds. A CRT can provide increased flexibility in distributing assets to children, grandchildren, or other non-spouse beneficiaries. Donors should consult their advisors to explore personal planning needs—including donors who may have implemented this strategy prior to the new law.

## **Reminder Three:** The benefit of retirement assets for charitable beneficiaries

Because retirement assets are taxed when they are received by beneficiaries, it can be wise for donors to leave other assets to heirs and name a charitable organization as a beneficiary of retirement assets. Heirs who inherit appreciated stock, for example, benefit from a step-up in the basis of the stock when the stock is sold. Income tax will ultimately be due only on the amount the stock has appreciated from the date of inheritance. By contrast, the full amount of retirement assets left to heirs is subject to income tax configured at the heirs’ higher tax bracket when received.

## **Reminder Four:** The importance of planning and giving

Whenever tax laws change, personal planning reviews are in order. But tax law changes do not change the valuable impact of charitable giving. Donors can find many ways to make a difference through planned charitable gifts.

## Summary of 2021 rules for Qualified Charitable Distributions

- The minimum donor age has not changed from 70½ and over.
- The distribution must be a direct transfer from an IRA to a public charity like Rice University.
- Although there is no tax deduction, the distribution amount is excluded from income for federal income tax purposes—no tax is due.
- Transfers up to \$100,000 (annual aggregate limit) are eligible for this favorable tax treatment, subject to an offset if contributions are made to the IRA after age 70½.



Judi Tichenor, JD  
*Executive Director,  
Gift Planning*  
jtichenor@rice.edu



Jill Gary Hughes '79, JD  
*Director,  
Gift Planning Services*  
jillhughes@rice.edu



Maureen Phillips '78, JD  
*Director of Development,  
Gift Planning*  
maureen.f.phillips@rice.edu



Stephanie Ball  
*Director of Development,  
Gift Planning*  
sball@rice.edu

Rice University Office of Gift Planning  
Development and Alumni Relations - MS 81  
P.O. Box 1892 • Houston, TX 77251-1892  
713-348-4624 • [giftplan.rice.edu/ToRiceBeTrue](http://giftplan.rice.edu/ToRiceBeTrue)

