



## GIFTS TO NATIONAL CAPITAL AREA COUNCIL *BEYOND CASH (2021 Update)*

Gifts of cash have always been the most basic and important source of support for Scouting. They are easy, popular, and the income tax deduction is equal to the full value of the gift. As a general rule, if you itemize your deductions, a **cash gift** is:

- Deductible up to **60%** of your adjusted gross income (AGI) each year. Unused tax deductions may be carried over and used for five years after the gift is made.
- Completed on the date it is hand delivered, mailed, or charged to a credit card. For example, a year-end gift mailed or charged December 30, 2021 is deductible in 2021, even if not received by the council until January 2022.

Note that for 2021 only, donors may deduct **up to 100%** of their AGI for cash gifts to public charities (like the council). However, cash gifts also represent after-tax dollars, and they may impact cash flow for many donors. There may be better ways to give...

### BEYOND ... CASH

#### GIFTS OF APPRECIATED STOCKS, BONDS, AND REAL ESTATE

Giving appreciated property may provide even greater tax benefits than cash gifts. In most cases, if you contribute property you've owned for **more than one year** – stocks, bonds, mutual fund shares, land, farms, homes, etc. – your charitable deduction is equal to the fair market value of the property. However, by donating these assets you also avoid the capital gains tax on any increase in value. It would be a gift of pre-tax assets, not after-tax dollars.

Assets owned for less than one year? These can be good gifts as well – but your tax deduction is limited to cost basis (not the fair market value). Property that has decreased in value? Consider selling it, contributing the proceeds, and using the tax loss to offset other gains.

There are also different AGI limits on how much of your deduction you can take in any one year. And when it comes to gifts of real property, make sure the council has assessed possible environmental concerns, expenses, and property use or sale strategies. **Please talk to your advisors about all gifts and the best timing for you.**

Here's an example of how (and why) gifts of appreciated property may be so beneficial:

**A donor is trying to decide between a cash gift of \$100,000, a gift of stock or land worth \$100,000 (that he paid \$20,000 for) or selling the asset and giving the sale proceeds.**

	<u>Gift/Tax Deduction</u>	<u>Tax Owed by Donor</u>	<u>Capital Gains Tax Saved (23.8%)</u>	
Cash Gift	\$100,000	0	0	(after-tax dollars)
Stock/Land Gift	\$100,000	0	\$19,040	(pre-tax dollars!)
Asset Sold	\$80,960	-\$19,040	0	(tax loss!!)

#### **PERSONAL PROPERTY GIFTS**

Gifts of art, collectibles and collections, antiques, boats, cars, or other items of personal property may also make great gifts to the National Capital Area Council. They may be costly to insure, or difficult to sell. Sometimes the value is real, sometimes it's sentimental. But the tax deduction also depends on what the property is and if the council could possibly use it in its Scouting programs.

If personal property has appreciated in value, and is related to Scouting's purpose, your tax deduction is the fair market value of the items. If the property is unrelated to Scouting or Scouting's mission? Your deduction may be limited to your cost basis. Again, talk to your advisors about this; it could make a big difference with valuable gifts. For very highly appreciated property, you may save more in taxes by selling them and contributing the proceeds.

Many personal property gifts (or gifts in kind) are often worth less than you paid for them (like cars, boats, etc.). For these gifts, your deduction is the lesser of its current value or what you paid for it, regardless of council use. Please talk to your advisors about these gifts.

#### **A WORD ABOUT APPRAISALS**

When you contribute almost any non-cash assets (other than publicly traded stocks), you must document the value of the assets for the IRS. You will also need to complete IRS Form 8283, so see the instructions for it at [www.irs.gov](http://www.irs.gov). In general, for gifts **worth less than \$5,000**, you can do this by showing similar sales, auction prices, for sale listings, etc. Assets worth **more than \$5,000** will require an appraisal. Appraisals will also be needed for less traditional types of assets, such as oil and gas interests, copyrights, patents, etc. Trying to substantiate a large charitable gift without an appraisal – whether it is a Mickey Mantle rookie card, vintage guitar, or a farm – is the fastest way to lose your tax deduction. Please talk with your advisors.

## BEYOND ... OUTRIGHT GIFTS

### BEQUESTS AND BENEFICIARY DESIGNATIONS

**Bequests:** Current tax laws eliminate the estate tax for 99.9% of us. But making a gift through your will is still an important and effective way to support the council. Plus, reducing or eliminating the estate tax means a larger estate you can give to your family AND the charities you care most about. Most importantly: **make sure you have a will that is up to date.** Wills are not just about transferring assets – they are also critical in protecting your family in many ways.

**Life Insurance:** Gifts of life insurance can be a great way to leverage your gift to Scouting. Many donors transfer ownership of a policy to a council – either paid up, or with premiums due – and receive a current income tax deduction for the value of the policy. Simply naming the council beneficiary of the policy is a very flexible type of gift. But, like a will, since you can still make future changes, you will not receive a tax deduction for it.

**IRA and Retirement Plan Transfers:** IRAs and retirement plans are often hard hit with taxes when left to heirs. But you may greatly reduce your tax loss by naming the council an estate beneficiary of your retirement plan assets (leaving other assets with step-up basis to your heirs). As for lifetime gifts from your IRA? If you are age 70½ or older, you may make outright, direct transfers to the council or other charities – up to **\$100,000 a year**, per person – and avoid the tax on those withdrawals. These count towards your RMD (now starting at age 72) and are particularly useful if you don't itemize or need extra income now from your IRA. Talk with your adviser.

### OTHER STRATEGIES

**Donor Advised Funds:** Donor advised funds are among the fastest and most popular types of gifts. You can create a large “**charitable checking account**” with Scouting, consolidate your charitable gifts into one fund, and then give advice later as to which charities should receive distributions – both Scouting and non-Scouting charities (your college, church, hospital, etc.).

It's similar to a family foundation (you can even involve your family as advisors), but without the tax issues or limitations. Accelerating your gifts now also increases your chance of itemizing your tax deductions.

**Gift Annuities:** A simple and effective way to make a gift of cash or stock and receive lifetime income in return, as well as an income tax deduction. The payments are guaranteed, vary depending on your age, and are partially tax free.

At the end of one or two lifetimes, the remaining gift is distributed to the council. A great way to leverage highly appreciated, low yielding assets and increase your income.

## TAX ISSUES FOR CHARITABLE GIFTS UNDER THE CURRENT TAX ACT

1. The standard deduction in 2021 (for returns filed in 2022) is now \$12,550/person. So, a couple must have more than **\$25,100** in itemized deductions to gain additional tax benefits over the standard deduction. Plus, married couples filing jointly may increase this by \$1,350 for each spouse who is age 65 or older. *(But most non-itemizers don't make gifts for tax reasons – they give because they love.)*

**Strategy:** Many advisors suggest that non-itemizers simply **“bundle”** their charitable gifts – pay 2-3 years' worth of gifts at one time – to reach their itemizing threshold for the year.

2. The top tax bracket is still **37%**. Generally, the lower the tax bracket, the less valuable a tax deduction (but lower taxes also means more income to spend/invest/give away).
3. Every year, you can give up to **\$15,000** to as many people as you like, without incurring gift tax on the transfer. This is the **annual exclusion**, still one of the most effective wealth transfer strategies for families.
4. You also have a **lifetime exclusion** – an additional **\$11.7 million** (\$23.4 million for a married couple) you may give away tax free. It doesn't matter who you give it to, or when. If you and your spouse have an estate worth less than \$23.4 million, you will likely not owe any transfer taxes for gifts to non-spousal recipients. BUT, this is scheduled to drop all the way back to \$5 million in 2025. Be sure and talk with your advisors about this.
5. Non-itemizers may now take an above-the-line charitable deduction of **\$300 per person** (\$600 per couple filing jointly). This also reduces adjusted gross income, possibly helping with other tax benefits tied to AGI.

Marital deductions and charitable deductions for estates are still **unlimited**, and gifts through a will or trust are as popular as ever. After all, saving estate taxes is NOT the main reason why donors make bequests; there are many other reasons such as establishing guardians, executors, trusts for minors, legacy gifts for charities, etc. And, like Warren Buffett, many people simply don't want kids or grandkids to inherit great wealth, regardless of tax changes.

**PLEASE NOTE: All information contained herein is for educational purposes only. We are not providing legal advice on any of the subject matter, and personal financial circumstances vary greatly. A Scout is Thrifty – please discuss all gifts with your financial advisors.**

**CONTACT THE NATIONAL CAPITAL AREA COUNCIL FOR MORE INFORMATION**

**THANK YOU!!**

[www.bsafoundation.org](http://www.bsafoundation.org)

[www.ncacbsa.org](http://www.ncacbsa.org)

*See pages 5-6 for sample bequest and beneficiary designation clauses*

## SAMPLE BEQUEST CLAUSES – NATIONAL CAPITAL AREA COUNCIL, BSA

Note: Bequests similar to the four samples may also be made to family trusts or charitable trusts, donor advised funds, or numerous other gift vehicles. Any of these bequests may be:

- Contingent on surviving other beneficiaries, or life events
- Residuary gifts, from what may be left over in an estate, and
- Percentage designations from the overall estate

### **GENERAL BEQUEST**

"I give, devise, and bequeath to the National Capital Area Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Bethesda, Maryland, or its legal successor thereto: *(insert sum of money, portion of estate, description of property, or..." the rest, residue, and remainder of my estate."*) to be used for such purposes as the council may designate."

*(The simplest way to make a gift to Scouting without conditions. The council board has the freedom and responsibility to determine the use of the funds or property received. They may place the gift in the endowment, spend it on capital or operating needs, etc.)*

### **SPECIFIC BEQUEST**

"I give, devise, and bequeath to National Capital Area Council, Boy Scouts of America, a non-profit corporation with headquarters in Bethesda, Maryland, or the legal successor thereto, *(insert sum of money, portion of estate, description of property, or "... the rest, residue, and remainder of my estate."*) to be owned, held, and used by the National Capital Area Council for the following purpose(s): *(list specific purpose for which bequest is made)*

If it is found by the executive board of the National Capital Area Council that all or part of this bequest cannot be used to the best advantage for the above purpose, then all or any balance of this bequest not so expended may be used for any purpose, approved by said executive board, within the corporate powers of the council."

*(When this form of bequest is used, the gift property will be used for the specific purpose or projects chosen by the donor. For example: to fund understaffed Scouting districts, to fund Hispanic Scouting initiatives, to build or improve a council camp or office, provide camperships, etc.)*

### **GENERAL ENDOWMENT BEQUEST**

"I give, devise, and bequeath to the endowment fund of the National Capital Area Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Bethesda, Maryland, or its legal successor thereto *(insert here sum of money, portion of estate, description of property, or the rest, residue, and remainder of my estate)*, to be added to, held, and administered by the trustee in accordance with the terms, provisions, and conditions as set forth in the declaration of trust of the National Capital Area Council."

*(When this form of bequest is used, the use of the principal and income from the funds or property is governed by the terms of the council's trust agreement. For many BSA councils, this principal is presumed to be held in perpetuity and may not be spent, unless donor otherwise specifies.)*

## **SPECIFIC ENDOWMENT BEQUEST**

"I give, devise, and bequeath to the endowment fund of the National Capital Area Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Bethesda, Maryland, or its legal successor thereto: *(insert sum of money, portion of estate, description of property, or "... the rest, residue, and remainder of my estate")*, to be held in trust by said trustee and by their lawful successor, to be used for *(List specific purposes for which bequest is made – donor may permit use of principal)*.

If it is found by the Executive Board of the National Capital Area Council that all or part of the income cannot be used to the best advantage for the above purpose, then all or any balance of the income not so expended may be used for any purpose approved by said Board which is within the corporate powers of the council."

*(This form of bequest differs by either restricting the use of the income or unrestricting the principal. For example, to fund understaffed Scouting districts, to create camperships for disadvantaged youth, to build or renovate a camp facility or office, etc.)*

## **BEQUEST FOR DONORS CONCERNED ABOUT MERGERS**

"I give, devise, and bequeath *(insert sum of money, portion of estate, description of property, or..." the rest, residue, and remainder of my estate.)*" to the National Capital Area Council, Boy Scouts of America, located in Bethesda, Maryland, or its legal successor thereto, or, in the event of a merger or consolidation, to the district/geographic area previously served or defined by the National Capital Area Council boundaries as of the date of this Will."

## **BEQUEST ALTERNATIVES**

You may also make distributions via beneficiary designations for: life insurance, IRA's and other retirement accounts, charitable trusts, revocable trusts, and gift annuities. To do so, simply ask the plan or fund administrator for a Change of Beneficiary form. Write in National Capital Area Council, Bethesda, Maryland, and the percentage you want to go to the council.