Tax Changes and Estate Planning for the Parkinson’s Community

Joshua N. Goldglantz
Attorney
Gunster, Yoakley & Stewart, P.A.

Recorded on February 13, 2018
Highlights of the 2017 Tax Cuts and Jobs Act (the “Act”)

• Effective Date – most individual and transfer tax provisions are effective for years 2018-2025 and sunset after that date

• The Act makes changes to many individual income tax provisions, business/corporate provisions and transfer tax (estate, gift and GST) provisions
Impact of the Act on Charitable Giving

Individual Income Tax Changes

• Rate Brackets

• Higher standard deduction ($24,000 per married individuals) – takes away charitable income tax benefits for many middle income taxpayers

• Charitable Deduction – increased limitation on cash contributions – from 50% to 60%

• State and Local Tax Deductions (SALT) capped at $10,000 – many states are looking for ways around this to minimize the effect on their residents

• Reduction of Miscellaneous Itemized Deductions

• Elimination of Pease Limitation
Impact of the Act on Charitable Giving

Individual Income Tax Changes, continued

- **Charitable Deduction**
  - Increased limitation on cash contributions – from 50% to 60%
  - Elimination of 80% deduction for contributions made to athletic seating rights (previously able to deduct 80% of amounts paid)
  - Repeal of substantiation exception when charities report certain contributions
Impact of the Act on Charitable Giving

Transfer Tax Changes

• Estate/Gift Tax Exclusion Amount Doubled – approximately $11.18M per individual for 2018 (indexed for inflation) – may significantly reduce tax incentive for charitable giving at death

• Annual Gift Tax Exclusion - $15,000

• “Clawback” Issues – to be addressed in Regulations

• Takeaway of Individual and Transfer Tax Changes: Charities may lose middle income taxpayers so will need to squeeze more out of the high net worth donors
Charities worry tax law will cut giving

New deduction rules may "de-incentivize" philanthropy, especially by the middle class

BY TERRY C. FRANKLIN

The Washington Post

Many U.S. charities are worried the tax overhaul bill signed by President Donald Trump in December could spur a landmark shift in philanthropy, spelling along the decade of middle-class donors and transforming charitable giving into a pursuit largely left to the wealthy.

The source of concern is how the tax bill is expected to sharply reduce the number of taxpayers who qualify for the charitable tax deduction—a big driver of gifts to nonprofits. Over the past two decades, deductions will fall by at least $13 billion, about 4.5% of the total, next year. The decline is expected to be experienced among gifts from the middle of the income scale. The richest Americans will nearly keep their ability to take the tax break.

That could create new winners and losers in philanthropy. Nonprofits have long noticed that the wealthy are more likely to check to support causes and nonprofits, while the middle-class donors pay to give to social-service agencies and religious organizations. Charities fear that could change, with the public’s views of donors forming a new priority for nonprofits.

The tax bill, signed earlier this year, allows donations to be "de-linked" from charitable donors, meaning gifts could shift to public programs and also that the number of taxpayers who qualify for the charitable tax deduction will fall by at least $13 billion, about 4.5% of the total, next year. The change is expected to be experienced among gifts from the middle of the income scale. The richest Americans will nearly keep their ability to take the tax break.

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Tax Law Spurred a Rush To Charitable-Giving Funds

By Richard Eisen

Americans late last year poured money into charitable-giving vehicles known as donor-advised funds, which allow immediate tax deductions but gradual distributions to nonprofits—a sign of ways the new tax law could reshape how Americans donate money for years to come.

The aim was to make donations before the new year, when, for tax purposes, giving becomes less advantageous for many households. People turned to donor-advised funds run by local nonprofits or those affiliated with big money-management firms. These funds allowed taxpayers to lock in deductions for 2017, then designate when and where to disburse the money.

Schwab Charitable, the largest donor-advised fund, added 22,000 accounts last year, nearly double its goal, pushing its total to 163,000, said Pam Norley, its president.

Growing Assets

Even before the new tax law, total assets held by donor-advised charity funds were on the rise.

Source: National Philanthropic Trust
The Wall Street Journal

Demers created 3,200 new accounts at Vanguard Charitable in 2017, about double the 2016 total, while total contributions were up 10% for the year to $1.6 billion. More than 20% of Schwab Charitable's 45,000 accounts were started in the second half of 2017.

The boomlet extended to smaller community nonprofits that support local initiatives and also house donor-advised funds. Such funds at the Cleveland Foundation, for example, received $20.5 million in December, more than the previous three Decembers combined.

“It was a crazy month,” said Kaye Ridolfi, the Ohio foundation’s senior vice president of advancement. “The phone was ringing off the hook.”

The new tax law’s treatment of deductions gives people more reasons to concentrate giving in certain years, both inside and outside donor-advised funds. But widespread bunching of contributions could make it difficult for charities to plan from year to year.

“When you get people in the habit of saving for charity instead of giving to charity, please see DONORS page A2.”
Estate Planning

- 8-year window to take advantage of increased exemption amounts
- Flexibility is vital
- Basis Planning – income tax rates v. estate tax rates
- Utilization of increased GST Exemption
- Limited number of individuals subject to estate tax, but estate planning is still important!
- Individuals still need the basics when it comes to estate planning – Wills, Revocable Trusts (depending on the state), Powers of Attorney, Health Care Directives
Charitable Planning

The Tax Act did not change:

- Planning Giving (i.e., gift annuities, remainder trusts, lead trusts and other tax qualified deferred gifts)
- Charitable IRA rollover
- Benefit of giving appreciated property
Creative Charitable Planning Ideas

“Bunching” Deductions

• Donor Advised Funds
• Charitable Lead Trusts

CLATs

• Low interest rate environment is beneficial for annuity techniques like CLATs and GRATs
• We still have discounting to further leverage the tax benefits of annuity techniques which effectively lowers the “hurdle”
• Type of CLAT – Level vs. Backloaded, Grantor v. Non-Grantor
CLAT Structure

Donor → Contribution → Charitable Lead Trust → Payment Term → Charity

Charitable Lead Trust → CLT Remainder

CLT Remainder → Expiration of Term → Remainder Beneficiaries
3 Takeaways

1. Everyone should review their estate plan in light of the new Tax Act.

2. Individuals need to have basic estate planning documents to deal with life events (i.e., incapacity, medical issues) in addition to disposing of assets upon death.

3. Charitable Giving is alive and well despite what you may read in the “real” or “fake” news!
Thank You!
Educational Resources

**Expert Briefings**
Information about Parkinson’s symptoms, medications, resources and more.
Parkinson.org/pd-library

**Aware in Care Kit**
Includes tools and information for people with PD to share with hospital staff during a planned or emergency hospital stay.
Parkinson.org/awareincare

**National Helpline**
Available at 1-800-4PD-INFO or helpline@parkinson.org
Monday through Friday 9:00 AM – 5:00 PM ET.

**Podcast: Substantial Matters**
New episodes every other Tuesday featuring Parkinson’s experts highlighting treatments, techniques and research.
Parkinson.org/podcast