



LEGACY GIFTS TO CENTRAL FLORIDA COUNCIL *BEYOND CASH (2020 Update)*

Contact: Randy Steil Randy.Steil@scouting.org 407-703-0238

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, 2020 is deductible in 2020, even if not received by the council until January 2021.

However, cash gifts also represent after-tax dollars, and they may impact cash flow for many donors. There may be better ways to give... those are Legacy Gifts.

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 paying 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 will be limited to your cost basis (not the fair market value). Property that has decreased in value? You may be better off selling it, contribute the proceeds, and use the tax loss to offset other gains.

There are also different 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 a clear understanding of possible environmental concerns, expenses/liens, and if the property will be used or sold by the council. **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 Central Florida 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. But 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. Many personal property gifts (or gifts in kind) are often worth less than you paid for them (like used cars, boats, etc.). For these gifts, your deduction is the lesser of its current value or what you paid for it, regardless of how the council uses it. Please talk to your advisors about these gifts.

A WORD ABOUT APPRAISALS

When you contribute almost any non-cash assets (other than publicly traded securities), you must document the value of the assets for the IRS. In general, you can substantiate gifts worth less than \$5,000 by showing similar sales, auction prices, for sale listings, etc. But assets worth more than \$5,000 will require an appraisal. You will also need to complete IRS Form 8283, so see the instructions for it at www.irs.gov. Appraisals will also be needed for less traditional types of assets, such as oil and gas interests, copyrights, patents, etc. But 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 eliminated 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, and that your will 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 the most flexible type of gift but – since you still own the policy and can 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 the tax loss by naming the council a beneficiary of some of your retirement plan assets. In addition, if you are age 70½ or older, you may also make lifetime, outright, direct transfers to charity – up to \$100,000 a year, per person – without being taxed on those withdrawals. These transfers also qualify for the MRD (even though MRDs now do not need to be taken until age 72). Talk to your plan administrator.

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 Scout and non-Scout organizations.

It's like a family foundation (and 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.

A CHARITABLE WORD ABOUT THE 2020 TAX CHANGES

1. The standard deduction is now \$12,400/person. A couple must itemize more than \$24,800/year before they get any advantage over the standard deduction everyone gets. However, studies show that most non-itemizers don't make gifts for tax reasons – they give because they want to support causes they love. Many advisors suggest “bundling” charitable gifts – paying two or three years' worth of gifts at one time, to help reach the itemizing threshold for the year.

2. There is now no limit to the deductions you can take for charitable contributions, as long as you use cash and itemize. Previously, you could only deduct a maximum of 60% of your adjusted gross income (AGI). But, at least for 2020, 100% of your donation would be tax deductible. I.e., if your taxable income is \$500,000 in 2020, and you give away \$500,000 to charities in 2020, you won't have to pay taxes on your income.
3. Taxpayers who don't itemize can still take a deduction for up to \$300 in charitable contributions on their 2020 tax form. It's the same amount for single filers and joint filers.
4. IRA Required Minimum Distributions are optional in 2020. Even though RMDs are not required for 2020, qualified charitable distributions going directly to charities can still be made for those over age 70 ½.
5. You can still give up to \$15,000/year to as many people as you like, without incurring gift tax on the transfer (the annual exclusion), as well as a lifetime exclusion, which allows everyone to give an additional \$11.58 million (more than \$23 million for a married couple) tax free, to anyone at any time. Plus, the marital deductions and charitable deductions for estates are still unlimited.

As a result of the pandemic and people's concerns for their family, friends, and favorite charities, donor interest in bequests and other legacy gifts has gone up significantly. Saving estate tax is NOT the main motivator for bequest donors. Leaving a legacy is far more important for most people. Like Warren Buffett, many people simply don't want their kids/grandkids to inherit great wealth, regardless of tax changes.

PLEASE NOTE: All information contained herein should be considered 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 CENTRAL FLORIDA COUNCIL FOR MORE INFORMATION
THANK YOU!!**

www.bsafoundation.org

www.cflscouting.org

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

SAMPLE BEQUEST CLAUSES – CENTRAL FLORIDA 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 Central Florida Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Apopka, Florida, 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 Central Florida Council, Boy Scouts of America, a non-profit corporation with headquarters in Apopka, Florida, 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 Central Florida Council for the following purpose(s): *(list specific purpose for which bequest is made)*

If it is found by the executive board of the Central Florida 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 Central Florida Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Apopka, Florida, 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 Central Florida 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 Central Florida Council, Boy Scouts of America, a not-for-profit corporation with headquarters in Apopka, Florida, 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 Central Florida 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 Central Florida Council, Boy Scouts of America, located in Apopka, Florida, 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 Central Florida 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 your plan or fund administrator to provide a Change of Beneficiary form. Write in Central Florida Council, Apopka, Florida, and the percentage you want to go to the council.