

## 20/20 ON 2020

Over the last four years, Congress has lowered taxes on most individuals by reducing rates and increasing the standard deduction. This year, Congress also included two tax bonuses for donors as part of coronavirus relief. This issue of the *Savvy Donor* describes two trends in giving that are here to stay — qualified charitable distributions (QCDs) from IRAs and the use of donor-advised funds (DAFs) — and the one-time charitable tax opportunities on your 2020 return.

### *The 2020 CARES Act Offers Donors Special Deductions*

**TEMPORARY UNIVERSAL CHARITABLE DEDUCTION** || Non-itemizing taxpayers may deduct up to \$300 in cash gifts to 501(c)(3) charitable organizations like the University of Maryland Baltimore Foundation, Inc. (UMBF). Taxpayers must retain gift receipts, and gifts to DAFs are ineligible.

**TEMPORARY SUSPENSION OF ADJUSTED GROSS INCOME (AGI)** || In 2020, donors can deduct charitable deductions for cash gifts up to 100 percent of their AGI, instead of the normal 60 percent limitation. For example, a donor with AGI of \$50,000 could use saved assets to make a charitable gift of \$50,000 to bring their AGI down to \$0.

### *Growth Continues in Direct-IRA Gifts*

Coronavirus relief included the temporary suspension of required minimum distributions from IRAs. In spite of this, donors continue to use IRA assets for charitable gifts, called *qualified charitable distributions (QCDs)*, for several reasons.

The higher standard deduction has resulted in less than one in five taxpayers itemizing deductions, which means more than 80 percent of taxpayers are losing the tax benefits of their giving. Using IRA funds for giving restores the tax benefit of giving, regardless of whether or not the donor itemizes. QCDs are also the only use of IRA funds where 100 percent of the value is put to use without being reduced by taxes. Finally, many would simply rather hold onto cash and leave brokerage accounts invested, and their IRA represents the most sensible pool of assets for them to fulfill charitable gifts.

QCDs are available to donors age 70.5 and older, who can give up to \$100,000 tax-free per person per year. Distribution requests must be made through the IRA administrator, and gifts to the University of Maryland, Baltimore (UMB) or any of its seven schools should be directed to: *University of Maryland Baltimore Foundation, Inc., 220 Arch St., 13th Floor, Baltimore MD 21201.*



### *Donor-Advised Fund Use Keeps Growing*

Even though DAFs have existed since 1931, their use has grown rapidly in recent years. DAFs are donor accounts hosted by charitable foundations that mimic many of the benefits of a private foundation but at lower cost, better tax benefits, less complexity, and greater convenience. DAFs appeal to a broad range of donors, but three situations in particular often lead donors to a DAF:

- Donors who experience a high-tax year. DAF gifts front-load the tax benefits, with the donor receiving a full deduction at the time funds go into the DAF but able to make giving decisions about the funds later. Donors can place several years worth of donations into a DAF and lower their income tax in the current year.
- Donors who want to give privately or engage in multigenerational philanthropy.
- Donors who support multiple charities and wish to simplify the process through online grant making and a single tax receipt.

Although UMBF does not have its own donor-advised fund, DAFs are a significant source of campus philanthropy. Please contact the Office of Planned Giving to receive general information about giving through DAFs.

## EVERYONE ASKS:

# How Is the UMBF Endowment Invested?

During bull markets, donors sometimes observe that the UMBF endowment appreciates less than broad equity indexes like the Dow Jones Industrial Average or S&P 500 Index. The primary explanation is the endowment is designed to capture only 50 percent to 60 percent of the market upside but also only 20 percent to 30 percent of the public market downside to meet its long-term objectives of steady growth and generating annual income.

Thirty-seven percent of the endowment is invested in private market funds, which have investment horizons of five to 15-plus years, are difficult to value every year, and have no correlation to the public markets during the investment period. While market return is fundamental to the success of the strategy, the endowment measures success in three-year and five-year periods or longer.

According to the 2019 report from the National Association of College and University Business Officers, the UMBF endowment return ranks in the top quartile of all university endowments, and in the top decile for return relative to risk.

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*This publication is not intended to provide legal, tax investment, or other professional advice, and should not be relied upon for such advice. In advance of any charitable gift plan, we encourage you to seek the advice of legal, tax, and investment professionals.*

## PROFESSOR EMERITUS ROBERT BEARDSLEY ON GIVING VIA QUALIFIED CHARITABLE DISTRIBUTIONS

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Having set up five scholarships across three campuses, Robert Beardsley, PhD, MS, and Katherine Beardsley, PhD, MS, have familiarized themselves with various ways to make a gift, such as donating appreciated securities. When their accountant suggested they start using required minimum distributions (RMDs) from their IRAs as QCDs, they readily understood the benefits. Robert now makes qualified distributions from his IRA account to support the Beardsley Scholar Leader Scholarship Fund in the School of Pharmacy.

“We don’t pay taxes on the donated RMDs and the University gets the benefit,” says Robert, adding they are likely to do much of their future giving through QCDs. “You can use RMDs from traditional IRAs and also ‘inactive’ SEP accounts, which many faculty members have because of consulting or publishing. However, it is best to check with your accountant before moving forward.”

QCDs to UMB or any of its seven schools are made by completing a form with the IRA administrator and directing the gift to the University of Maryland Baltimore Foundation, for the benefit of any school or fund.

THE **UMB OFFICE OF PLANNED GIVING** HELPS DONORS MAXIMIZE GIVING TO THE UNIVERSITY OF MARYLAND SCHOOLS OF MEDICINE, LAW, DENTISTRY, PHARMACY, NURSING, SOCIAL WORK, AND INTERDISCIPLINARY GRADUATE SCHOOL THROUGH TAX-EFFICIENT STRATEGIES AND OTHER OPTIONS BENEFICIAL TO THE DONOR. PLEASE VISIT [www.umaryland.edu/plannedgiving](http://www.umaryland.edu/plannedgiving) OR CONTACT THE OFFICE OF PLANNED GIVING AT 877-706-4406 OR [plannedgiving@umaryland.edu](mailto:plannedgiving@umaryland.edu).