CARES AND SECURE ACTS MAKE IT EASIER TO SUPPORT COLORADO COLLEGE!

The year 2020 has been nothing less than tumultuous. Changes in legislation, combined with market swings and an international pandemic have all met in an almost perfect storm that reminds us uncertainty is always with us. In order to best prepare for navigating your giving plans and to continue to care for those values that mean the most, we share strategies to help with your planning.

First are changes to how and when an individual must begin withdrawing retirement funds. The SECURE Act* became effective on Jan. 1, 2020, and there are a few key areas within the philanthropic spectrum that should be considered based on this major change created by the new law.

Second, On March 27, 2020, the CARES Act was signed into law “to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 Coronavirus pandemic.” Provisions in the CARES Act affect many areas of American life, including provisions for charitable giving that encourage individuals and corporations to continue supporting the mission of institutions, such as Colorado College, through this historically difficult period. The SECURE Act and CARES Act intersect within IRA rules, and the CARES Act opens up new opportunities. Here are some key details about both:

SECURE ACT Changes:

1. **Required Minimum Distributions (RMDs) will start at age 72, not age 70½.**

   If you turned age 70½ in 2019 (born prior to July 1, 1949), you will still need to take your RMD for 2019 no later than April 1, 2020. If you are currently receiving RMDs (or should be) because you are over age 70½, you must continue taking these RMDs. Only those who will turn 70½ (born on or after July 1, 1949) may wait until age 72 to begin taking required distributions.

   However, for 2020 the CARES Act waives the required minimum distributions from retirement plans, such as pensions and 457 plans. Any minimum distributions from retirement plans that would have been required in 2020 can be delayed until 2021. This change reduces the incentive for donors to make gifts from their individual retirement account (IRA) — the IRA Rollover Provision.
2. **You can contribute to your Traditional IRA after age 70½.**
   Beginning in the 2020 tax year, the new law will allow you to contribute to your traditional IRA in the year you turn 70½ and beyond, provided you have earned income. You still may not make 2019 (prior year) traditional IRA contributions if you are over 70½.

3. **Inherited Retirement Accounts “STRETCH” Distributions are restricted to 10 years.**
   Upon death of the account owner, distributions to non-spouse individual beneficiaries must be made within 10 years. The current rule that allowed a non-spouse IRA beneficiary to “stretch” required minimum distributions (RMDs) from an inherited account over their own lifetime (and potentially allow the funds to grow tax-free for decades) has been eliminated. The rule applies to inherited funds in a 401(k) account or other defined contribution plan as well. There are exceptions for spouses, disabled individuals, and individuals not more than 10 years younger than the account owner. Minors who are beneficiaries of IRA accounts also have a special exception to the 10-year rule, but only until they reach the age of majority. If you’ve already inherited a stretch IRA, rest easy. The changes from the bill that close loopholes that allowed stretch IRAs only applies to beneficiaries of someone who dies after the end of 2019.

**CARES Act changes will also affect giving in 2020. Here are highlights of this act as it relates to philanthropy:**

1. **If you do not itemize your deductions, you can take a one-time deduction of up to $300 for gifts made to CC.**
   The provision is intended only for the year 2020; however, in the text of the bill, it states taxable years “beginning in 2020 ...” and does not include a sunset date, thus it conceivably could extend beyond 2020. The deduction is ONLY for gifts of cash made in calendar year 2020 and does not cover other types of gifts or contributions made to donor-advised funds or private foundations.

2. **The cap on how much corporations may deduct for charitable gifts increased from 10 percent of taxable income to 25 percent.**

3. **For 2020, there is no limit, making cash contributions fully deductible.**
   In a typical year, individuals can only take a charitable deduction of up to 60 percent of their adjusted gross income, no matter how much they give.

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*SECURE ACT = Setting Every Community Up for Retirement Enhancement Act.*