

# PITTSBURGH PLANNED GIVING COUNCIL

## LEGISLATIVE UPDATE

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At this time, charities should be aware of potential new developments that may affect their donors and themselves. This is especially true at the start of the new Biden Administration.

I will list, in no particular order, some updates and potential Biden Administration tax / estate tax priorities (which must of course be passed by Congress before becoming law):

- There were no major tax increases in the recent American Rescue Plan Act of 2021 (the most recent COVID-19 package, signed March 11, 2021).
- Tax increases on individuals, including ordinary income rates, capital gains and investment income rates, especially for higher-earning taxpayers.
- Repeal or modification of "stepped up basis" for transfers at death.
- A wealth tax that taxes dividends and capital gains at ordinary income tax rates, and requires certain taxpayers to pay an annual tax on net unrealized gains (gains would not just be taxed upon sale of an asset).
- Reduce the federal gift and estate tax exemption from \$11.7 million to a much lower figure, perhaps \$3.5 or \$5 million.
- Federal estate tax rates might be increased on a graduated scale from 40% to as much as 77% on large estates.
- Eliminate / limit certain discounting techniques such as discounts for a minority interest and lack of marketability. Also discounting techniques such as grantor retained annuity trusts ("GRATs"), charitable lead trusts ("CLTs") and charitable remainder trusts ("CRTs") could be limited.
- Limit the generation skipping exemption to a specific term of years, maybe 50 – 90 years, with tax payable at the end of such term.
- Reduce the current annual exclusion from the gift tax from \$15,000 per donee to as little as \$20,000 - \$50,000 by capping the total for all donees.
- Capping the benefit of itemized tax deductions (28% benefit only), and the elimination of up to 80% of the deductions of upper income taxpayers (restore PEASE limits for income over \$400,000).
- Broaden the 12.4% Social Security tax (currently imposed on compensation up to \$142,800) to include income in excess of \$400,000.

- Limit the size of IRAs or other retirement accounts, with penalties assessed on amounts exceeding the limits.

Donors and their tax advisors may be wise to take action before these changes can be implemented. Limiting itemized deductions by upper income taxpayers may lead to more giving in 2021 before this change takes effect.

Two other developments to consider:

- The Legacy IRA Act, currently in Senate Bill 243, proposes to allow life income gifts to be funded by IRA Charitable Rollovers (an expansion of current law). The 70.5 age requirement would be lowered to 65 for life income gifts. PPGC and some of our members have contacted our Congressional representatives to support this expansion of the IRA Charitable Rollover. Please contact me or any PPGC Board member if you would like to help in this lobbying effort.
- In a recent case, the PA Commonwealth Court said Allentown, PA could not impose its business privilege tax on a local charity.

Please do not hesitate to contact us if you have any questions on these subjects or other matters related to your charitable organization.