

**CHARITABLE GIFT ANNUITY DEDUCTIONS (PER \$10,000 CONTRIBUTED)**

Age	Payout Rate*	Deduction (2.0% AFR)	Age	Payout Rate*	Deduction (2.0% AFR)	Age	Payout Rate*	Deduction (2.0% AFR)
55	4.0%	\$2,269	70	5.1%	\$3,901	85	8.0%	\$5,469
56	4.0	2,467	71	5.2	4,031	86	8.2	5,622
57	4.1	2,481	72	5.4	4,060	87	8.4	5,777
58	4.2	2,504	73	5.5	4,209	88	8.6	5,933
59	4.3	2,538	74	5.6	4,363	89	8.8	6,088
60	4.3	2,751	75	5.8	4,426	90	9.0	6,243
61	4.4	2,800	76	6.0	4,501	91	9.0	6,474
62	4.4	3,017	77	6.2	4,588	92	9.0	6,693
63	4.5	3,079	78	6.4	4,685	93	9.0	6,900
64	4.6	3,151	79	6.6	4,792	94	9.0	7,096
65	4.7	3,231	80	6.9	4,833	95	9.0	7,281
66	4.7	3,462	81	7.2	4,890	96	9.0	7,454
67	4.8	3,558	82	7.4	5,027	97	9.0	7,616
68	4.9	3,664	83	7.6	5,171	98	9.0	7,769
69	5.0	3,778	84	7.8	5,318	99	9.0	7,912

\*Payout Rates are rates recommended by the American Council on Gift Annuities. Charities historically have employed the Council's payout rates, but may pay higher or lower rates. Deductions assume quarterly payments.

**CHARITABLE REMAINDER ANNUITY TRUST DEDUCTIONS ONE-LIFE TRUST FUNDED WITH \$100,000 (2.0% AFR)**

Age of Beneficiary	\$5,000 Payout	\$6,000 Payout	\$7,000 Payout	\$8,000 Payout	\$9,000 Payout
60	None*	None*	None*	None*	None*
65	None*	None*	None*	None*	None*
70	None*	None*	None*	None*	None*
75	\$51,950	None*	None*	None*	None*
80	62,559	\$55,071	None*	None*	None*
85	71,681	66,017	\$60,354	None*	None*
90	79,128	74,953	70,779	\$66,604	\$62,430

\*Annuity trusts are disqualified, under the IRS's 5% probability test (Rev. Rul. 70-452, 1970-2 CB 199), if the probability that noncharitable beneficiaries will survive to the exhaustion of the trust fund exceeds 5%. Note that the deductions shown reflect quarterly payments and a 2.0% applicable federal rate (AFR). Higher AFRs increase the risk of failing the 5% probability test. The 5% probability test can be ignored if early termination language is included, pursuant to Rev. Proc. 2016-42.

**TERM OF YEARS ANNUITY TRUST FACTORS (2.0% AFR)**

Years	Annuity	Years	Annuity	Years	Annuity	Years	Annuity
1	0.9804	6	5.6014	11	9.7868	16	13.5777
2	1.9416	7	6.4720	12	10.5753	17	14.2919
3	2.8839	8	7.3255	13	11.3484	18	14.9920
4	3.8077	9	8.1622	14	12.1062	19	15.6785
5	4.7135	10	8.9826	15	12.8493	20	16.3514

Deductions for charitable remainder annuity trusts lasting for a term of years (maximum of 20 years) are computed under annuity factors found in Table B, IRS Pub. 1457, according to the "applicable federal rate." Using the tables above (2.0% AFR), a 12-year annuity trust making annual payments would have an annuity factor of 10.5753. If the trust is funded with \$100,000 and pays \$5,000 annually, the value of the income interest is \$5,000 x 10.5753, or \$52,877, and charity's remainder interest is \$47,123. (The computation must be adjusted slightly if payouts are other than annual; see Table K, IRS Pub. 1457.)

CHARITABLE LEAD TRUSTS: Deductions for charitable lead annuity trusts also are calculated with reference to Tables B and K, but the portion contributed is the income interest, not the remainder interest.

**APPROXIMATE INCOME TAX DEDUCTIONS FOR TWO-LIFE ANNUITY TRUST FUNDED WITH \$100,000**

**Joint Beneficiaries (2.0% AFR)\***

Deduction if Beneficiaries Receive					
Ages of Beneficiaries	\$5,000 Annually	\$6,000 Annually	\$7,000 Annually	\$8,000 Annually	\$9,000 Annually
65/65	None**	None**	None**	None**	None**
70/70	None**	None**	None**	None**	None**
75/75	\$36,948	None**	None**	None**	None**
80/80	49,607	None**	None**	None**	None**
85/85	60,995	\$53,194	\$45,392	None**	None**
90/90	70,692	\$64,830	\$53,969	\$53,107	\$47,245

\* The deductions illustrated are only approximations. They are based on IRS tables employing a 2.0% AFR. \*\* Annuity trusts are disqualified, under the IRS's 5% probability test (Rev. Rul. 70-452, 1970-2 CB 199), if the probability that noncharitable beneficiaries will survive to the exhaustion of the trust fund exceeds 5%. The 5% probability test can be ignored if early termination language is included, pursuant to Rev. Proc. 2016-42.

**CHARITABLE REMAINDER UNITRUSTS (2.0% AFR)**

Payout Rate/Percent of Gift Deductible						
Age	5.0%	6.0%	7.0%	8.0%	9.0%	10%
55	.31854	.26147	.21693	.18196	.15428	.13216
56	.33971	.27290	.22768	.19193	.16347	.14059
57	.34266	.28465	.23877	.20227	.17304	.14940
58	.35507	.29667	.25018	.21296	.18296	.15858
59	.36773	.30901	.26195	.22403	.19330	.16817
60	.38066	.32168	.27410	.23552	.20407	.17821
61	.39383	.33467	.28663	.24743	.21528	.18871
62	.40722	.34794	.29949	.25971	.22690	.19961
63	.42081	.36148	.31267	.27236	.23890	.21094
64	.43459	.37529	.32619	.28538	.25133	.22270
65	.44858	.38937	.34005	.29880	.26417	.23491
66	.46292	.40391	.35444	.31282	.27768	.24781
67	.47758	.41866	.36932	.32740	.29181	.26139
68	.49248	.43415	.38464	.34249	.30649	.27556
69	.50760	.44975	.40034	.35804	.32171	.29033
70	.52289	.46562	.41641	.37403	.33743	.30565
71	.53837	.48176	.43284	.39048	.35368	.32156
72	.55398	.49816	.44963	.40735	.37044	.33805
73	.56970	.51473	.46668	.42499	.38765	.35506
74	.58542	.53141	.48382	.44211	.40521	.37250
75	.60109	.54810	.50127	.45980	.42302	.39025
76	.61665	.56477	.51866	.47761	.44104	.40828
77	.63210	.58139	.53607	.49554	.45923	.42657
78	.64740	.59792	.55348	.51353	.47758	.44507
79	.66253	.61434	.57085	.53155	.49602	.46375
80	.67743	.63059	.58811	.54954	.51449	.48253
81	.69210	.64665	.60522	.56744	.53296	.50138
82	.70648	.66246	.62216	.58525	.55139	.52025
83	.72056	.67801	.63887	.60285	.56969	.53907
84	.73432	.69325	.65531	.62025	.58784	.55778
85	.74771	.70815	.67145	.63739	.60578	.57635
86	.76072	.72269	.68725	.65423	.62346	.59471
87	.77332	.73681	.70265	.67070	.64082	.61278
88	.78552	.75053	.71766	.68680	.65784	.63057
89	.79727	.76378	.73222	.70248	.67446	.64799

To calculate the approximate deduction for a transfer to a one-life charitable remainder unitrust, determine the age of the income beneficiary, then find the deductible percentage in the appropriate payout rate column. For example, a donor who establishes a unitrust paying 6% for the life of a 65-year-old beneficiary could deduct .38937 (38.937%) of the amount transferred in trust. A \$100,000 transfer would create a charitable deduction of \$38,937. The above tables assume an applicable federal rate of 2.0% (rates change every month) and quarterly payments to the beneficiary. For different applicable federal rates and payment frequencies, refer to Tables U and F, IRS Pub. 1458.

**UNITRUST TERM OF YEARS REMAINDER FACTORS (2.0% AFR)**

Number of Years	5.0%	6.0%	7.0%	8.0%	9.0%
1	.95061	.94074	.93086	.92098	.91111
2	.90366	.88499	.86650	.84821	.83012
3	.85903	.83255	.80659	.78118	.75634
4	.81661	.78322	.75083	.71946	.68911
5	.77628	.73681	.69812	.66261	.62786
6	.73794	.69315	.65060	.61025	.57205
7	.70150	.65207	.60562	.56203	.52120
8	.66685	.61344	.56375	.51763	.47488
9	.63392	.57709	.52478	.47673	.43267
10	.60262	.54290	.48850	.43906	.39421
11	.57286	.51073	.45473	.40437	.35918
12	.54457	.48047	.42330	.37242	.32725
13	.51768	.45200	.39404	.34300	.29817
14	.49212	.42522	.36680	.31590	.27167
15	.46782	.40000	.34144	.29094	.24752
16	.44472	.37633	.31784	.26796	.22553
17	.42276	.35404	.29587	.24679	.20548
18	.40189	.33306	.27542	.22729	.18722
19	.38245	.31333	.25638	.20934	.17058
20	.36318	.29479	.23866	.19280	.15542

The above deduction percentages assume quarterly payments and an applicable federal rate of 2.0%. For different AFR percentages and payout frequencies, see Tables D and F, IRS Pub. 1458.

CHARITABLE LEAD TRUSTS: Deductions for charitable lead unitrusts also are calculated with reference to Tables D and F, but the portion contributed is the income interest, not the remainder interest. Deduction percentages (factors) are complements of the remainder interest percentages shown above. For example, the income interest factor for a 20-year charitable lead unitrust paying 5% is equal to 1.0 minus the remainder interest factor of .36318, or .63682.

**APPROXIMATE INCOME TAX DEDUCTIONS FOR TWO-LIFE UNITRUST FUNDED WITH \$100,000**

**Joint Beneficiaries (2.0% AFR)\***

Ages of Beneficiaries	5.0% Annually	6.0% Annually	7.0% Annually	8.0% Annually	9.0% Annually
60/60	\$27,394	\$21,414	\$16,816	\$13,274	\$10,537
65/65	33,724	27,424	21,813	18,342	15,097
70/70	41,040	34,654	29,318	24,892	21,204
75/75	49,171	42,943	37,582	32,966	28,986
80/80	57,642	51,869	46,740	42,184	38,135
85/85	65,941	60,854	56,210	51,970	48,101

\*Deductions and factors shown are representative samples based on the use of a 2.0% applicable federal rate (AFR) and quarterly payments. Actual numbers may vary, based on the monthly midterm rate used.

**FEDERAL INTEREST RATE (AFR) SELECTION**

In valuing deferred gifts, donors may choose tables using the most favorable applicable federal rate (AFR, or \$7520 rate) from that in effect for the month of the gift or from either of the two months preceding the month of the gift. Rates (120% of the midterm rate) are published on or about the 20<sup>th</sup> of each month by the IRS and appear at <http://www.irs.gov/app/picklist/list/federalRates.html>.

**Elect highest rate available**

- Charitable remainder annuity trust
- Charitable remainder unitrust
- Charitable gift annuity (for large deduction)
- Gift of remaining life estate in farm or personal residence

**Elect lowest rate available**

- Charitable lead trusts
- Gift of life income interest in charitable remainder trust
- Charitable gift annuity (for large tax-free payout)
- Remainder interest in farm or personal residence

**CHARITABLE GIFT TECHNIQUES COMPARED**

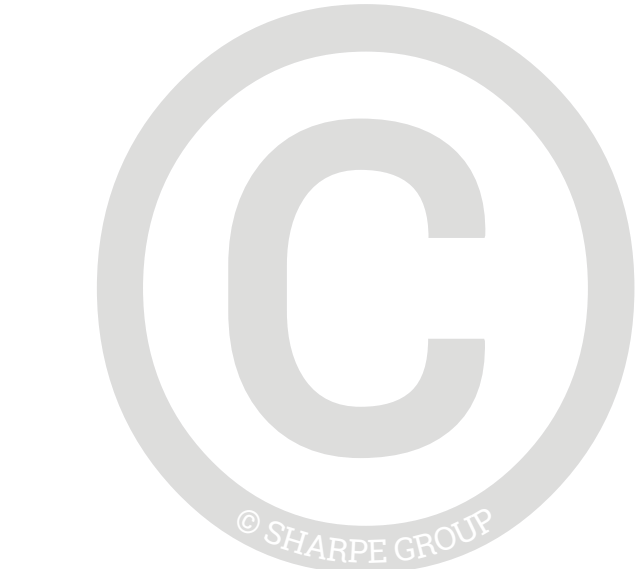
Technique	Income Tax Deduction	Special Considerations
<b>Outright Gift of Cash or Long-Term Capital Gain Property</b>	100% deductible in year of gift, up to 60% of donor's adjusted gross income (30% for long-term capital gain property). Five-year carryover for excess deductions.	Largest deductions; long-term capital gains tax avoided if appreciated property is contributed.
<b>Charitable Remainder Annuity Trust</b>	Present value of charity's remainder interest (10% minimum) deductible in year of gift, based on age of income beneficiaries and unvarying dollar amount to be paid each year (see preceding tables). 5% probability test limits maximum payouts generally to 5% or 6% when AFR is low, unless trust is to last for a term of years.	Stable annuity income for life (5% minimum) for beneficiaries of donor's choice; capital gains tax avoidance; possible tax-free income from trust; estate tax savings; trustee handles investments; can last for life or term of years up to 20.
<b>Charitable Remainder Unitrust</b>	Present value of charity's remainder interest (10% minimum) deductible, based on age of income beneficiaries, and percentage of value of trust assets to be paid annually. Higher payouts (not exceeding 50%) possible than annuity trust because 5% probability test does not apply. See preceding tables to figure deductions.	Same benefits as the annuity trust (above) except that payout is a percentage of the changing value of the trust assets (possible hedge against inflation). Also, additional contributions are permitted, and donor may elect to have trust pay the unitrust percentage or actual trust income, whichever is LESS.
<b>Charitable Gift Annuity</b>	Amount transferred to charity, less the present value of annuity retained for the life of the annuitant(s). Deductions identical to those afforded by charitable remainder annuity trusts, but much lower amounts needed to fund gift. Higher deductions if payment deferred for several years.	Payouts based on age or ages of income beneficiary(s). Maximum of two annuitants. If funded with appreciated property, capital gain is reduced and spread over donor/annuitant's life expectancy. Annuity income is partially tax free. Higher payouts for deferred payment gift annuities.

**Qualified Charitable Distributions from IRAs**  
 The owner of a traditional or Roth IRA can direct the custodian to make distributions directly to public charities. Transfers up to \$100,000 will be excluded from income. This exclusion is available to IRA owners over age 70½, but not to participants in other plans, such as 401(k) or 403(b) plans.

**Gift of Home or Farm with Reserved Life Estate**  
 Present value of charity's remainder interest in land and structures less depreciation on structures during donor's life tenant's remaining life expectancy. "Home" includes any personal residence, including vacation property, condos, etc. "Farm" includes ranchland, and just a few acres may be contributed.

**Charitable Lead Trust**  
 Present value of charity's income interest (if donor is owner of trust under grantor trust rules, generally via reversion to grantor). Donor is taxed on trust income.

**Lead Trusts**  
 Lead trusts are usually created for a term of years, with heirs as remainder beneficiaries (generally, no income tax deductions but federal transfer tax savings). Trust is not tax exempt.



# 2020 Federal Tax Pocket Guide

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The purpose of this publication is solely educational, namely to provide general gift, estate, financial planning and related information. It is not intended as legal, accounting or other professional advice, and you should not rely on it as such. For assistance in planning charitable gifts with tax and other implications, the services of appropriate and qualified advisors should be obtained. Consult an attorney for advice if your plans require revision of a will or other legal document. Consult a tax and/or accounting specialist for advice regarding tax and accounting related matters. © Copyright MMXX by Sharpe Group. All Rights Reserved.



## FEDERAL INDIVIDUAL INCOME TAX RATES

Col. 1	Single Individuals		Joint Returns & Surviving Spouses		Heads of Households		Married Filing Separately	
	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess
\$ 0	\$ 0	10%	\$ 0	10%	\$ 0	10%	\$ 0	10%
9,875	987.50	12%					987.50	12%
14,100					1,410	12%		
19,750			1,975	12%			4,617.50	22%
40,125	4,617.50	22%						
53,700					6,162	22%		
80,250			9,235	22%				
85,500					13,158	24%		
85,525	14,605.50	24%					14,605.50	24%
163,300	33,271.50	32%			33,271.50	32%	33,271.50	32%
171,050			29,211	24%				
207,350	47,367.50	35%			45,926	35%	47,367.50	35%
311,025							83,653.75	37%
326,600			66,543	32%				
414,700			94,735	35%				
518,400	156,235	37%			154,793.50	37%		
622,050			164,307.50	37%				

## INCOME TAX RATES ON ESTATES AND TRUSTS

Taxable Income From (Col. 1)		To	Tax on Col. 1	Rate Excess
\$ 0	\$ 2,600		\$ 0	10%
2,600	9,450		260	24
9,450	12,950		1,904	35
12,950	Infinity		3,129	37

## STANDARD DEDUCTIONS

	Single Individuals	Joint Return/ Surviving Spouses	Heads of Households	Married Filing Separately
Basic	\$12,400	\$24,800	\$18,650	\$12,400
Over 65	14,050	26,100 (one) 27,400 (both)	20,300	13,700
Blind	14,050	26,100 (one) 27,400 (both)	20,300	13,700
Over 65 & Blind	15,700	27,400 (one) 30,000 (both)	21,950	15,000

Taxpayers may “itemize” deductions when deductions total more than the standard deductions shown. The increase in the basic standard deduction does not apply to tax years after 2025. The deduction is indexed for inflation using the chained consumer price index.

## ITEMIZED DEDUCTIONS INCLUDE:

- State and local taxes. Taxpayers can deduct up to \$10,000 for state income or sales tax and real estate taxes.
- Mortgage interest. The interest on up to \$750,000 of total acquisition indebtedness is allowed on a first and second home.
- Medical expenses. Medical expenses are deductible to the extent they exceed 10% of AGI.
- Charitable gifts. Cash gifts to charity are deductible up to 60% of AGI; gifts of appreciated assets are deductible up to 30% of AGI. Excess deductions may be carried over for up to five additional years.

## FEDERAL INCOME TAX ON CAPITAL GAINS

Net long-term capital gains on assets held more than 12 months are taxed generally at a maximum rate of 20% for filers in the 37% tax bracket, 15% for taxpayers in the 22%, 24%, 32% and 35% brackets and 0% for 10% and 12% bracket taxpayers. Children under age 19, or 24 if full-time college students, whose net unearned income exceeds \$2,200 are subject to tax under estates and trusts rates. Taxpayers with AGI in excess of \$200,000 (unmarried filers and heads of households) or \$250,000 (joint filers) are subject to an additional 3.8% tax on net investment income. A 28% top rate applies to long-term gain on collectibles. A 25% top rate applies to long-term gain on real estate attributed to depreciation claimed in past years (unrecaptured \$1250 gain). Short-term gains are taxed at the taxpayer’s highest ordinary income tax rates. Net short-term and long-term losses are deductible dollar-for-dollar against ordinary income up to \$3,000, with unlimited carryover for excess loss deductions.

## FEDERAL INCOME TAX ON DIVIDENDS

The maximum tax rate on qualified dividends paid by corporations, mutual funds and real estate investment trusts to individuals is 20% for filers in the 37% tax bracket, 15% for taxpayers in the 22%, 24%, 32% and 35% brackets and zero for taxpayers in the 10% and 12% ordinary income brackets. Taxpayers with AGI in excess of \$200,000 (unmarried filers and heads of households) or \$250,000 (joint filers) are subject to an additional 3.8% tax on investment income.

## FEDERAL ALTERNATIVE MINIMUM TAX

Alternative Minimum Taxable Income From (Col. 1)		To	Tax on Col. 1	Rate on Excess
\$ 0	\$197,900		\$ 0	26%
197,901	Infinity		51,454	28

An alternative minimum tax is imposed on “alternative minimum taxable income” over the applicable exemption amounts of \$72,900 for single taxpayers and heads of households, \$113,400 for joint returns, \$56,700 for married persons filing separately and \$25,400 for estates and trusts. Through 2025, phase-out thresholds are increased to \$1,036,800 (married filers and surviving spouses) or \$518,400 for all other individuals. AMT is payable only so far as it exceeds a taxpayer’s regular income tax. “Alternative minimum taxable income” is the sum of a taxpayer’s regular taxable income and any preference amounts, plus certain regular tax itemized deductions (not including charitable deductions) such as state and local taxes. Net operating losses not attributable to preferences are deductible. Examples of minimum tax preference items include amounts relating to depletion deductions, intangible drilling costs, incentive stock options, tax exempt interest on nongovernmental-purpose bonds and accelerated depreciation on all property placed in service after 1986 that exceeds depreciation using the 150% declining balance method.

## FEDERAL TAX ON TAXABLE CORPORATE INCOME

The tax rate for C corporations is a flat 21%. The corporate alternative minimum tax has been eliminated. Corporations are allowed a 50% deduction for dividends received from other domestic corporations (70% prior to 2018). There is a 65% deduction (previously 80%) for dividends received from a 20%-owned corporation. This is a corporation that is owned 20% or more by the taxpayer.

Bonus depreciation is allowed for qualified property acquired after September 27, 2017, according to the following schedule:

Placed into service	Percentage
After September 27, 2017 and before 2023	100%
After 2022 and before 2024	80%
After 2023 and before 2025	60%
After 2024 and before 2026	40%
After 2025 and before 2027	20%
After 2026	0%

Owners of pass-through business entities (S corporations, LLCs, partnerships, sole proprietorships) may deduct up to 20% of qualified business income. For certain service trades or businesses (e.g., accounting, athletics, financial services, health, law, brokerage services), the deduction is phased out when taxable income exceeds \$160,700 for single taxpayers and \$321,400 for joint filers.

## FEDERAL GIFT TAX

Taxable Gift		Tentative Tax	
Col. 1 From	To	Tax on Col. 1	Rate on Excess
\$ 0	\$ 10,000	\$ 0	18%
10,000	20,000	1,800	20
20,000	40,000	3,800	22
40,000	60,000	8,200	24
60,000	80,000	13,000	26
80,000	100,000	18,200	28
100,000	150,000	23,800	30
150,000	250,000	38,800	32
250,000	500,000	70,800	34
500,000	750,000	155,800	37
750,000	1,000,000	248,300	39
1,000,000	Infinity	345,800	40

## FEDERAL GIFT TAX FORMULA

- Aggregate of all prior and present taxable gifts\* \$ \_\_\_\_\_
- Tentative gift tax on “A” (from current tax table) \$ \_\_\_\_\_
- Aggregate of all prior (only *taxable gifts*\*) \_\_\_\_\_
- Tentative gift tax on “C” (from current tax table) - \_\_\_\_\_
- Tentative gift tax on present gift (“B” less “D”) \$ \_\_\_\_\_
- Gift tax credit \$ 4,577,800
- Aggregate gift tax credit taken for prior post-1976 gifts (but not more than “C”) - \_\_\_\_\_
- Gift tax credit available for current gift (“F” less “G” but not more than “E”) - \_\_\_\_\_
- Gift tax payable for current gift (“E” less “H”) \$ \_\_\_\_\_

\* A “taxable gift” means a gross gift (other than charitable gift) less:

- unlimited gift tax marital deduction, if gift is to spouse, and/or
- lesser of gift amount or \$15,000 (\$30,000 if spouse joins in the gift and the gift is to a third party) per donee per year in which gift is made. Annual exclusion for pre-1982 gifts: \$3,000, \$6,000 for “split” gifts; \$10,000/\$20,000 for gifts between 1982 and 2001; \$11,000/\$22,000 for gifts between 2002 and 2005; \$12,000/\$24,000 for gifts between 2006 and 2008; \$13,000 for gifts between 2009 and 2012; \$14,000 for gifts between 2013 and 2017; \$15,000 for gifts between 2018 and 2020.

**Annual Exclusions** \$15,000 per donee; \$30,000 per donee for married couples who “split gifts”; \$155,000 per non-citizen spouse. Payments of medical expenses and tuition payments also are excluded from federal gift tax [IRC §2503(e)]. Contributors to a qualified tuition program who exceed \$15,000 may elect to treat the gift as if it had been made over a five-year period—in effect allowing a \$75,000 exclusion all in one year [IRC §529(c)(2)(B)]. Gifts of future interests are not eligible for gift tax exclusions.

**Marital Deduction** For gifts to a spouse who is a U.S. citizen, a 100% marital deduction is allowed (IRC §2523). The deduction is not available for gifts to a non-citizen spouse, but an annual exclusion of \$157,000 is permitted for 2020. Note: Gifts to a spouse that qualify for the gift tax marital deduction do not require the filing of a gift tax return.

**Charitable Deduction** In general, any gift deductible for income tax purposes is deductible for gift tax purposes (IRC §2522). A few charitable gifts (transfers to nongrantor charitable lead trusts or foreign charities, for example) may qualify for federal gift tax deductions

but not income tax deductions. The gift tax charitable deduction is unlimited. The gift tax charitable deduction is not limited to domestic organizations or to gifts for use within the United States [Reg §25.2522(a)-1].

**Gift Tax Credit**

A \$4,577,800 gift tax credit shelters \$11,580,000 of taxable gifts in excess of the annual exclusion amounts.

**Gift Tax Returns**

Individuals must file gift tax returns (Form 709) for (1) gifts of present interests in property in excess of \$15,000; (2) gifts of future interests in any amount; (3) gifts on which spouses “split” gifts. Form 709 is required for all charitable remainder trusts and other “split-interest” gifts [IRC §6019(3)]. Filing deadline is same as income tax returns.

## FEDERAL ESTATE TAX

Taxable Estate		Tentative Tax	
Col. 1 From	To	Tax on Col. 1	Rate on Excess
\$11,580,000 (applicable exclusion amount)	Infinity	\$4,577,800 (applicable credit amount)	40%

## FEDERAL ESTATE TAX FORMULA

- Amount of taxable estate<sup>1</sup> \$ \_\_\_\_\_
- Aggregate of all post-1976 *adjusted taxable gifts*<sup>2</sup> + \_\_\_\_\_
- Sum of “A” and “B” \$ \_\_\_\_\_
- Tentative estate tax on “C” (see above) \$ \_\_\_\_\_
- Aggregate of all gift taxes paid on post-1976 gifts<sup>3</sup> - \_\_\_\_\_
- Tentative estate tax (“D” less “E”) \$ \_\_\_\_\_
- Basic exclusion amount plus any deceased spouse unused exclusion \$ \_\_\_\_\_
- Estate tax credit (tentative tax on “G”) - \_\_\_\_\_
- Estate tax payable (“F” less “H” and any credits for foreign death taxes or tax on prior transfers) \$ \_\_\_\_\_

<sup>1</sup> **“Taxable estate”** means gross estate less all available deductions, including the estate tax marital deduction (if applicable), charitable deduction and state death tax deduction, subject to the following:

- If any post-1976 gifts were made by decedent within three years prior to death with respect to retained life interests, reversionary interests, revocable transfers, general powers of appointment or incidents of ownership in life insurance policies, the gross estate is “grossed up” to include—

(1) the aggregate of all such gifts made by decedent (and joining spouse), if any, during that period—excluding gifts which aggregate no more than (but only if total gifts, single or joint, do not exceed) \$15,000 (\$3,000 for pre-1982 gifts; \$10,000 for gifts between 1982 and 2001; \$11,000 for gifts between 2002 and 2005; \$12,000 for gifts between 2006 and 2008; \$13,000 for gifts between 2009 and 2012; \$14,000 for gifts between 2013 and 2017; \$15,000 for gifts between 2018 and 2020) per donee per year made by decedent (but not excluding any portions of joint gifts attributable to spouse)—plus

- the aggregate of gift taxes on such post-1976 gifts made during that period by deceased (and joining spouse).

(b) The **“estate tax marital deduction,”** if applicable, is unlimited in amount.

(c) The **“estate tax charitable deduction”** for bequests to charity is unlimited.

<sup>2</sup> **“Adjusted taxable gifts”** means total amount of post-1976 taxable gifts [gross gifts less all available deductions including \$15,000 (\$3,000 for pre-1982 gifts; \$10,000 for gifts between 1982 and 2001; \$11,000 for gifts between 2002 and 2005; \$12,000 for gifts between 2006 and 2008; \$13,000 for gifts between 2009 and 2012; \$14,000 for gifts between 2013 and 2017; \$15,000 for gifts between 2018 and 2020) annual exclusion per donee (\$30,000 if spouse joins in gift), gift tax marital deduction and charitable gifts] other than such gifts that are included in the gross estate (see “1(a)(1)” above).

<sup>3</sup> If any amount of gift tax attributable to a joining spouse’s portion of a joint gift is included in a “gross up” of the decedent’s gross estate (“1(a)(2)” above—re post-1976 gifts made within three years prior to decedent’s death), that amount of gift tax is also included in “E.” Otherwise, only the gift taxes attributable to the decedent’s post-1976 gifts (or portions of joint gifts) are included in “E.”

## GENERATION-SKIPPING TRANSFER TAX

A generation-skipping transfer tax is imposed on gifts or bequests to persons more than one generation removed from the transferor (“skip persons”) where there is a “taxable termination,” “taxable distribution” or “direct skip.” GST tax is in addition to any gift tax or estate tax that may be due. In general, the transferee pays the tax. Transfers have a \$11,580,000 lifetime GST tax exemption in 2020 and transfers to grandchildren and collateral heirs who are orphans are exempt. Lifetime exemption matches estate tax sheltered amount. Direct skips are taxed at the highest estate tax rate. To determine the tax on generation-skipping transfers from trusts, multiply the maximum federal estate tax rate (40%) by the “inclusion ratio.” The inclusion ratio is 1 minus the “applicable fraction,” which has as the numerator the amount of GST exemption allocated to the transfer, over the denominator that consists of the value of the property transferred minus any charitable deductions allowed under §§2055 or 2522 and any taxes owed by the reason of the generation-skipping transfer and which were recovered from the trust by the estate.

## FEDERAL INCOME TAX CHARITABLE DEDUCTION

An income tax charitable deduction is allowed for charitable contributions made within a taxable year, subject to limitations based upon whether the donee is a 60% or 30% charity, whether the donor is an individual or corporation and what type of property is contributed. The 60% charities generally include churches, educational institutions, hospitals, governmental units, organizations receiving substantial support from governmental units or the general public and certain private foundations (operating foundations, distributing foundations and pooled fund foundations described in IRC §170(6)(1)(D)). The 30% charities include other organizations (mostly private foundations) described in IRC §170(c), but which do not qualify as 60% charities.

## Ceiling on Charitable Deductions

**Individual Donor**  
**60% charity** Total deductions limited to 60% of donor’s adjusted gross income with 5-year carryover. Gifts of trust income to 60% charity deductible up to 30% of AGI with 5-year carryover.  
**30% charity** Total deductions limited to 30% of donor’s adjusted gross income, with 5-year carryover.

**Corporate Donor**  
Deduction is limited to 10% of taxable income with 5-year carryover.  
Deduction is limited to 10% of taxable income with 5-year carryover.

## Additional Limitations Based upon Type of Property Contributed

**Cash**  
**60% charity** Amount of cash  
**30% charity** Amount of cash

**Ordinary Income Property**  
Property that produces any gain other than long-term capital gain if sold at fair market value.  
**60% charity** Cost. 60%-of-adjusted-gross-income ceiling applies. Examples include inventory of a business owner, a work of art in the hands of the artist who created it and tangible property that has been depreciated.  
**30% charity** Cost 30%-of-adjusted-gross-income ceiling applies.

**Long-Term Capital Gain Property**  
Fair market value, not to exceed 30% of donor’s adjusted gross income with 5-year carryover. Donors of long-term capital gain property can qualify for an **enhanced 30% grouping election** by electing to reduce contribution deduction by 100% of the gain present in the property.  
Fair market value, for gifts of publicly held stock for which market quotations are readily available, not to exceed 20% of donor’s adjusted gross income with 5-year carryover. For all other gifts, reduce fair market value by 100% of long-term capital gain element if donee is private foundation.

**Tangible Personal Property That Is Unrelated to Charity’s Purposes**  
Fair market value, reduced by 100% of long-term capital gain element. 60%-of-AGI ceiling applies.  
Fair market value, reduced by 100% of long-term capital gain element. 20%-of-AGI ceiling applies.

**Appraisal Requirements**  
Qualified appraisals generally are required for non-cash gifts valued at more than \$5,000 and closely held stock worth more than \$10,000. No appraisal is required for gifts of publicly traded securities. The appraisal is summarized on Form 8283. Form 8283 must be filed for all non-cash gifts in excess of \$500, even if no appraisal is required.