

en•dow verb 1. to provide with a permanent fund or source of income.

“I want to quit. I’m tired of this virus, the news, and all of the loss. I’m tired of the daily reminders that I don’t have answers. I’m overwhelmed, but I think I should be strong and unaffected.”

That was the answer I didn’t give to a consultant friend when he asked me how I was doing in early April. Instead, I cobbled together a trite reply and we continued on with our meeting.

The amount of unexpected change that occurred over just a few weeks in March was overwhelming in both its speed and amount. We didn’t know what was happening, what to do, or what would happen next. While we are no more vulnerable and dependent than we have always been, we now feel our vulnerability in uncomfortable ways.

While I am always grateful for God’s unchanging nature, I’m especially comforted in this season that



we serve a steadfast, omnipotent, and omniscient God. Knowing that He is the same today as He was before anyone knew anything about COVID-19 gives me confidence and perspective. He is not shaken, surprised, or hurriedly altering His plans because of this virus. He is still pursuing His sovereignly ordained purpose for each one of us and for His creation.

I haven’t answered questions with “I don’t know” more frequently in my whole life than I have in the last few months. We don’t know what the full impact of this unique season will be, but God knows. I am grateful that we can rest knowing that He is still working to accomplish His purposes.

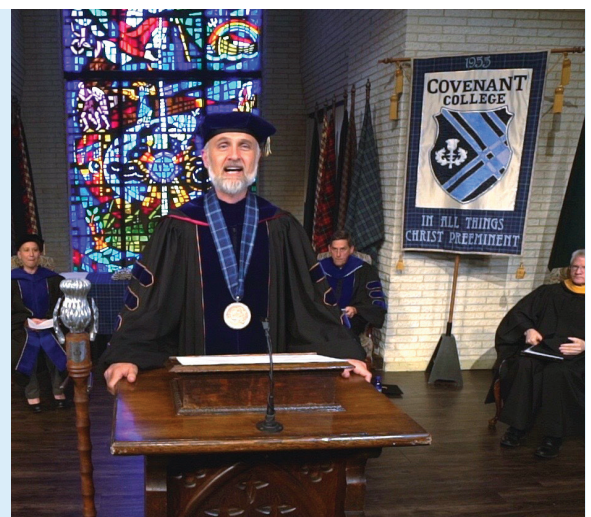
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An Historical Event

VIRTUAL COMMENCEMENT

While being unable to celebrate commencement in person was disappointing, students, families, and friends participated in Covenant’s first-ever virtual commencement. The video included photos of seniors, a message from President J. Derek Halvorson, and clips from 2016’s convocation, (the Class of 2020’s first convocation). Scots celebrated through the comment and chat sections on the YouTube and Facebook premiers.

As we continue to monitor COVID-19, we hope to plan an in-person celebration at some point in the future.



Cares Act and Charitable Giving

by Dick Bowser

ON MARCH 27, President Trump signed the CARES Act (Coronavirus Aid, Relief, and Economic Security Act). Some portions of the Act have received considerable public attention, e.g., the Paycheck Protection Program and the Economic Impact Payments. The provisions that can impact charitable giving have received far less attention. This article is designed to make individuals aware of three of those provisions and to suggest how those provisions might shape charitable giving strategies in 2020.

Charitable Deductions Available for Non-Itemizers

Individuals who do not itemize their deductions in calculating their income tax, but instead use the standard income tax deduction (for 2020 the standard deduction will be \$24,800 for those who file jointly) do not get any *tax* benefit for making charitable gifts. However, with the adoption of the CARES Act, those who use the standard deduction for 2020 are permitted to get an *additional* charitable deduction of up to \$300/taxpayer unit if the gift is in the form of cash and given to a charity that is not a donor-advised fund or a supporting organization of another charity. While the

deduction cap is quite low, its impact, particularly for charities that have large numbers of small-gift donors, could be significant given the fact that approximately 85% of American taxpayers use the standard deduction and do not itemize.

A New Qualified Charitable Deduction

Historically, individuals get an income tax deduction for gifts to charities. Those charitable deductions are limited, in any tax year, to a percentage of the taxpayer's adjusted gross income (AGI). Generally speaking, in the case of individuals, the charitable deduction was limited to 60% of AGI if the gifts to charities were in cash or 30% of AGI if the gifts were non-cash, e.g., real estate, personal property, securities. With the passage of the CARES Act, all of those charitable deductions and limits on charitable deductions remain

in place. However, the act creates a *new tax deduction category* – a “qualified charitable deduction.” A qualified charitable deduction is a cash gift to a charity (excluding Donor-

Advised Funds and Supporting Organizations). This new “qualified” charitable deduction is capped at the difference between AGI and the taxpayer's charitable deduction. So, for example, if the taxpayer had AGI in

“the act creates a new tax deduction category – a ‘qualified charitable deduction.’”

DAY OF PRAYER AT COVENANT

At Covenant we believe that God invites us into his presence through prayer. Therefore, each semester our Covenant College community takes a break from our regular rhythms and routines to pray together and rest. Early February 11th those brave enough attended a sunrise service at Rock City that included time of prayer together, singing and responsive readings, the day closed with a concert by Mark Perry.



“...an individual who intends to give all or a significant portion of his or her retirement plan to a charity at death, could give all of that now without suffering adverse tax consequences.”

2020 of \$1,000,000 and gave \$300,000 worth of stock to a charity in 2020, the taxpayer could ALSO make a gift of \$700,000 of cash to charities in 2020 and get an additional \$700,000 “qualified charitable deduction” in 2020. The impact is this: If the taxpayer gives cash to a charity (or multiple charities), the taxpayer in 2020 will be able to deduct all of the taxpayer’s adjusted gross income.

This new provision may alter the most commonly invoked rule of thumb in charitable giving, namely that taxpayers who are able to give appreciated assets to charities should do so, rather than giving cash. This tax year, a taxpayer who gives only non-cash assets to charities will have a charitable deduction limited to 30% of AGI. The taxpayer who gives cash will be able to deduct the amount of all cash gifts up to the taxpayers AGI. It certainly makes sense for taxpayers to consider selling assets, recognizing gain or loss, and then giving the sales proceeds (cash) to the charity. That may not be the best option for all taxpayers, but it may be a compelling option for donors who have the resources (and inclination) to give all of their AGI to charities in 2020.

Temporary Waiver of the Required Minimum Distributions

The Tax Code requires minimum distributions to be made from qualified retirement accounts beginning at a certain age (formerly 70 ½, now 72). For a number of years, many individuals have satisfied the required minimum distributions from an IRA by directing the IRA custodian to transfer the required minimum amount to a qualified charity. If done properly, the transferred amount (up to \$100,000) was not treated as income to the account holder. For 2020 however,

the CARES Act waives the required minimum distributions (RMDs) from most retirement plans and Individual Retirement Accounts. The goal of this section of the Act is to avoid compelling individuals (who are seeking to meet the minimum distribution requirement) to liquidate assets within the plans during this period of market weakness.

Some see this change as negatively impacting charitable giving in 2020 because taxpayers will have no tax incentive to make qualified charitable distributions from their retirement plans in 2020. Others, however, point out that when this provision is combined with the new “qualified charitable deduction” discussed above, an individual who intends to give all or a significant portion of his or her retirement plan to a charity at death, could give all of that now without suffering adverse tax consequences. While a large distribution from a retirement plan will substantially increase the taxpayer’s income in 2020, the taxpayer who transfers that to a charity would also get a corresponding qualified charitable deduction. As said before, the CARES Act provisions may, in the right circumstances, change the common practices that have been part of charitable planning for quite some time.



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