GRATITUDE WITH TAX ADVANTAGES:A GUIDE TO CHARITABLE GIVING AT ST. ANDREW'S

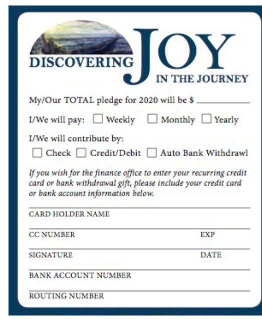
ST. ANDREW'S EPISCOPAL CHURCH
6401 WORNALL TERRACE
KANSAS CITY, MISSOURI 64113

Contents

Your Generosity Makes Church Ministry Possible

Charitable gifts from parishioners and friends underwrite all the work of St. Andrew's Episcopal Church. The church receives no support from our diocese; instead, support flows the other direction. Gifts from parishioners and friends fall into three categories: annual giving, gifts to the Endowment Fund, and gifts for specific purposes.

Annual Giving


DISCOVERING JOY IN THE JOURNEY

My/Our TOTAL pledge for 2020 will be $

I/We will pay: ☐ Weekly ☐ Monthly ☐ Yearly

I/We will contribute by:

☐ Check ☐ Credit/Debit ☐ Auto Bank Withdrawl

If you wish for the finance office to enter your recurring credit card or bank withdrawal gift, please include your credit card or bank account information below.

CARD HOLDER NAME

CC NUMBER EXP

SIGNATURE DATE

BANK ACCOUNT NUMBER

ROUTING NUMBER

Pledged annual gifts fund the vast majority of St. Andrew's ministry each year – 73 percent in the 2020 budget. Led by Vestry member Stephen Duerst, the parish Stewardship Commission plans and presents the annual stewardship campaign, which asks each church member to consider making a pledge to give back to God, through the church, in thanksgiving for the gifts God has given us. St. Andrew's makes every effort to operate based on a balanced annual budget. The 2020 budget projects $1,931,110 for revenues; $1,928,921 for expenses; and a modest surplus of $2,189.

The rector, senior warden, junior warden, and treasurer prepare the annual budget in collaboration with staff and ministry leaders. The Finance Commission reviews and amends the budget and sends it on to the Vestry for its review and final approval. The Finance Commission, led by Treasurer Paul Wurth, reviews church income and expenses regularly and makes monthly reports to the Vestry.

St. Andrew's Endowment Fund

The purpose of the Endowment Fund is to enable St. Andrew's to fulfill its mission beyond what annual gifts support. St. Andrew's Endowment Commission manages, oversees, and develops our Endowment Fund, and the Greater Kansas City Community Foundation maintains and invests the corpus. As of December 31, 2019, the market value of the Endowment Fund was approximately $1,717,000.

The Vestry intends ours to be a "true" endowment managed in perpetuity, meaning that the principal won't be invaded. Income earned and appreciation in investment value is distributed each year to St. Andrew's, but only for the following purposes:

1. Capital improvements.
2. Outreach and evangelistic ministries and grants.
3. New ministries and special one-time projects.
4. Clergy and staff development.
5. Other purposes specifically designated by endowment donors, with Vestry approval.

To help develop the Endowment Fund, the Vestry reauthorized the St. Andrew's Legacy Society in 2017. The Legacy Society recognizes those who have remembered St. Andrew's through lifetime gifts and gifts in their estate plans.

The Endowment Commission's goal is to increase the Endowment Fund to $5,000,000. A $5,000,000 fund would allow an annual distribution to the church of approximately $250,000, or about 12 percent of the current annual budget. Charles Horner currently serves as the chairman of the Endowment Commission, and Janet Kelley serves as the Vestry liaison.

Capital Campaigns and Direct Gifts

A third source of support for the life of St. Andrew's is periodic capital campaigns and direct gifts from parishioners for specific purposes. Recent capital campaigns have included the Rebuild, Restore, and Renew effort; the Gather & Grow campaign that underwrote development of HJ's Youth and Community Center; and the recent special campaign to repair extensive damage to the church facilities from water incursions.

How Does the CARES Act Affect My Charitable Giving?

Approved by Congress in March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal $2 trillion economic stimulus law that provides immediate relief for charitable entities. The inclusion of expanded charitable giving incentives is an important acknowledgement by Congress and the president of the important work of charities.

New Deductions

The CARES Act provides a new deduction of up to $300 per taxpayer ($600 for a married couple) in annual charitable contributions. These deductions are especially beneficial to taxpayers who take a standard deduction (i.e., taxpayers who don't itemize). You may claim the deduction by subtracting the amount of your contributions from your gross income. This is an "above the line" adjustment to income that will reduce your adjusted gross income and thereby reduce your taxable income. To qualify, a taxpayer must donate to a qualified charity, which includes churches. Any donations made since January 1, 2020, will count toward the $300 or $600 caps. However, a donation to a donor-advised fund won't qualify. In addition, these new provisions don't apply to gifts of appreciated property.

New Charitable Deduction Limits

The CARES Act also allows individuals and corporations that itemize to deduct much larger amounts of their charitable contributions. Individuals may now deduct cash contributions of up to 100 percent of their 2020 adjusted gross income on their itemized 2020 income tax returns. This is an increase from the previous limit of 60 percent of adjusted gross income. Corporations can deduct up to 25 percent of taxable income, up from the previous 10 percent limitation. The new deductions apply only to cash gifts made during 2020.

Waiver of Required Minimum Distributions

The CARES Act suspends required minimum distributions (RMDs) for people over age 70½ until 2021. The RMD is an attractive way to make significant gifts of up to $100,000 directly from an IRA to a charity through a qualified charitable contribution, as well as to avoid accruing taxable income. Suspension of the RMD during 2020 may somewhat dampen the incentives for donors who give from their IRAs. However, the tax benefits of a qualified charitable contribution from an IRA (up to $100,000 per individual) will still reduce the IRA balance and allow taxpayers, both itemizers and non-itemizers, to make to direct gifts from IRAs in a tax-efficient manner.

What Are My Options for Giving to St. Andrew's?

You have a wide range of options to help support God's work at St. Andrew's. Different gifting techniques offer different potential income-tax advantages. Almost all these gifting techniques can apply to both lifetime and testamentary "planned gifts" to St. Andrew's.

Cash Gifts

Gifts to St. Andrew's and to the Endowment Fund can be made in cash or by check, money order, or wire or ACH transfer to:

> St. Andrew's Episcopal Church
> Nina Edwards, finance coordinator
> 6401 Wornall Terrace
> Kansas City, MO 64113

You can also make cash gifts at standrewkc.org/give; through the Church Life app on your smartphone; by texting STANDREWKC (all caps) to 73256; by automatic drafts from your checking or savings account; or by credit card. Contact Nina Edwards for more information (816-523-1602, ext. 111, or nina@standrewkc.org).

IRA Charitable Rollover Gifts

If you're at least 70½ years old, you can take advantage of a simple way to benefit St. Andrew's and receive tax benefits. You can give any amount up to $100,000 per year from your IRA directly to a qualified charity, including the church, without having to pay income taxes on the money. This popular gift option is commonly called an IRA charitable rollover, but you may also see it described as a qualified charitable distribution. Here are the highlights:

- IRA account owners are generally required to begin annual withdrawals after they turn 70½ years old, per IRS rules. Note: This required minimum distribution has been waived for 2020 by the CARES Act (see above).
- A charitable IRA rollover is a donation, in the form of a qualified charitable distribution, from an IRA retirement account to a charitable organization. An account holder can't make a distribution directly to a charity; instead, the retirement plan administrator must transfer the contribution directly to the charity.
- Generally, distributions from an IRA are treated as taxable income. However, a qualified charitable distribution, in the form of a direct transfer from an IRA trustee to a qualified charity, provides a mechanism for a taxpayer to avoid this designation.
- A charitable organization must meet requirements under section 501(c)(3) of the Internal Revenue Code to be eligible to receive a qualified charitable distribution. Churches meet these requirements, but donor-advised funds, private foundations, and some other charities are ineligible.
- Charitable IRA rollover distributions must come from a traditional IRA or Roth IRA. Distributions from 401k, 403b, SEPs, and some other plans are not eligible.
- Total charitable distributions in the form of charitable IRA rollovers can't exceed $100,000 per taxpayer per year. If a married couple files jointly, each spouse may contribute up to $100,000.
- IRA withdrawals for charitable distributions over the $100,000 IRA charitable rollover limit must be recognized as taxable income.

Here are the benefits to you:

- You pay no income taxes on the gift, up to $100,000. The transfer generates neither taxable income nor a tax deduction, so you benefit even if you don't itemize your deductions.
- If you reached the age of 70½ on or before Dec. 31, 2019, you may use your gift to satisfy all or part of your RMD for the year. If you turn 70½ on or after Jan. 1, 2020, you can use your gift to satisfy all

or part of your RMD starting at the age of 72. (Again, the RMD has been waived for 2020, per the CARES Act.)
- Since the gift doesn't count as income, it can reduce your annual income level. This may help lower your Medicare premiums and decrease the amount of Social Security subject to tax.

Examples of IRA charitable rollover gifts

William Jones has an IRA from which he generally must take an RMD. Mr. Jones decides to give the distribution directly from his IRA to his church. By making this direct transfer to his church, he will avoid income taxes on this distribution and be supporting the church's mission and ministries. In addition, Mr. Jones plans to continue making IRA rollover gifts to his church in the future, which will allow him to satisfy the RMD rule in the future.

Susan Franklin has contributed significantly to her IRA throughout her career. She has remained healthy, worked into her 70s, and made smart financial choices. She no longer needs the income from her IRA. Susan and her husband have learned that her IRA is not an ideal asset to leave their children because a significant portion of the value of the IRA will be taxable. The Franklins have been lifelong supporters of their church, and they decide to support their favorite ministries though a permanent, annual IRA rollover gift of the maximum amount for the remainder of their lives, as well as through a gift of the remaining balance of the IRA to the church at their deaths. The Franklins are thrilled to see the tangible difference their annual gifts make and excited that they can also support the church's future ministries. They do all this while avoiding the tax liability resulting from personally taking the RMDs.

Gifts of Appreciated Stocks, Bonds, Mutual Funds, Personal Property, and Real Property

A gift of appreciated stocks, bonds, mutual funds, or personal and real property that have been held by the donor for more than 12 months qualifies for a charitable deduction for the current fair-market value of the gift. The donor avoids any capital gains tax on the gift. Note: Proposed gifts of personal or real property must be approved by the St. Andrew's Gift Acceptance Committee.

To inform St. Andrew's of your proposed gift, please contact Nina Edwards, Finance Coordinator, at 816-523-1602, ext. 111, or nina@standrewkc.org. She will need the following information:

- Your name.
- How you would like your gift to be directed.
- The name and contact information for your broker, account manager, or other person who will arrange for the gift transfer.
- If applicable, the name of any securities, the amount or number of shares, and the expected date of the transfer.

If your proposed gift is personal or real property, the St. Andrew's Gift Acceptance Committee will contact you directly.

An example of tax savings from a gift of appreciated stock

> Octavia Salazar purchased $20,000 worth of stock 20 years ago, and those shares are now worth $50,000. She wants to make a gift to St. Andrew's and wonders about the benefits of gifting the shares of stock versus gifting cash after selling the stock.
>
> If she sells the stock, she would realize a $30,000 long-term capital gain that could be taxed at 23.8 percent. She would pay $7,140 in tax on the sale, and her net cash from the sale would be only $42,860. Octavia is in the 37 percent marginal tax bracket, so her net tax benefit from the $42,860 donation to St. Andrew's would be $15,858.
>
> Alternatively, if she had donated the $50,000 in stock to St. Andrew's, Octavia would be entitled to claim a $50,000 charitable donation on her tax return. She wouldn't pay any capital-gains tax; her contribution to St. Andrew's would have been $7,140 greater; and her tax deductions would have saved her $18,500 in

federal taxes. To summarize:

	Value to St. Andrew's	Tax Benefit to Donor
Stock sale and donation of net cash	$42,860	$15,858
Donation of stock certificates	$50,000	$18,500

(A gift of other forms of appreciated property, such as real estate, would be more complex, but the benefits for both St. Andrew's and the donor would be similar.)

Bequests in a Will or Trust

Perhaps the easiest and most common way to make a testamentary ("planned") gift is through a bequest in your will, testamentary trust, or other estate-planning documents. You may designate a specific amount of money, a percentage of your estate, or a specific asset to be given. St. Andrew's could also be named as a contingent beneficiary.

In wording your bequest, you may designate whetheryour gift should be applied by St. Andrew's to fund the general ministry of the church, be used for a specified purpose, or be given to the St. Andrew's Endowment Fund. Unless you specify otherwise, your bequest will likely become part of the Endowment Fund.

Beneficiary Designations

You can make a gift to the church or a "planned gift" to the Endowment Fund without having to retain an attorney to make or amend a will or trust, through the use of a beneficiary designation. With a beneficiary designation, you can make either St. Andrew's or the Endowment Fund a beneficiary of your bank account; IRA, 401(k), or 403(b) retirement account; brokerage account; donor-advised fund; or insurance policy. The gift becomes effective after your death, and it can be for a specified amount or a percentage amount.

Making a beneficiary-designation gift is simple and usually costs nothing. Also, if your circumstances change, you can modify your gift without cost by changing your beneficiary designation. You would simply ask your banker, account custodian, or insurance agent for a beneficiary-designation form and name either St. Andrew's or the St. Andrew's Endowment Fund as a beneficiary. (Some institutions use the term "transfer on death" or "payable on death," rather than "beneficiary designation.")

For more information on beneficiary designations, contact Nina Edwards (816-523-1602, ext. 111, or nina@standrewkc.org).

Life Income Gifts

When you give through a charitable gift annuity, a charitable remainder trust, or a pooled income fund, you or your designated beneficiary receives income for life, after which St. Andrew's receives your gift. These gifts generally reduce or eliminate certain taxes and can guarantee an income for life.

Gifts of Life Insurance

Using life insurance, you can make a sizable gift to St. Andrew's. For example, you could:

- Purchase a new policy and make the church the policy owner and beneficiary.
- Make St. Andrew's the owner and beneficiary of an existing policy that you no longer need.
- Make St. Andrew's a contingent beneficiary of an existing policy.
- Use life insurance to "endow" your annual pledge to St. Andrew's.

You can easily document your gift of life insurance using a beneficiary designation (described above).

Gifts of a Life Estate

You can deed your home, vacation home, farm, ranch, or condominium to St. Andrew's and retain the right to live in the property or retain the income from the property for as long as you or your beneficiary live. Retaining a life estate may reduce capital gains, inheritance, and estate taxes, as well as income-tax deductions. (The church's Gift Acceptance Committee must approve life-estate gifts.)

Gifts Using a Donor-Advised Fund

A donor-advised fund is a separate account for accumulating, managing, investing, and making charitable donations, and it can be a valuable tool for charitable giving to St. Andrew's and other entities you wish to support. Donor-advised funds have been in existence since the 1930s, and they are now the fastest-growing charitable-giving vehicles in the United States.

St. Andrew's works with the Greater Kansas City Community Foundation (GKCCF) to hold, manage, and invest its Endowment Fund. Several St. Andrew's parishioners also use the GKCCF or other entities to administer their donor-advised funds. To learn more about donor-advised funds at the GKCCF, contact Corey Ziegler, corporate counsel, at 816-627-3464 or ziegler@growyourgiving.org.

Maximizing Income-Tax Deductions Using "Bunching" Techniques

In late 2017, the United States Congress made substantial changes in the federal income-tax laws. For many taxpayers, the new law nearly doubled the standard deduction and repealed the personal tax exemption. For 2018, the tax overhaul raised the standard deduction to $24,000 for married couples filing jointly and $12,000 for singles. As a result, the number of taxpayers who itemized for 2018 was expected to drop by more than half compared to 2017 – from nearly 47 million to about 18 million out of about 155 million tax returns.

For 2020, the standard deduction is $12,400 for single individuals, $24,800 for joint returns, $18,650 for heads of households, and $12,400 for married individuals filing separately. Taxpayers over age 65 receive higher standard deductions: $14,400 for single individuals, $27,400 for joint returns, $20,300 for heads of households, and $13,700 for married individuals filing separately.

The tax overhaul retained the option of itemizing deductions. For 2020, itemized deductions include:

- State and local taxes up to $10,000.
- Mortgage interest on up to $750,000 of the total acquisition indebtedness on a first or second home.
- Medical expenses to the extent they exceed 10 percent of adjusted gross income.
- Charitable gifts up to 100 percent of adjusted gross income under the CARES Act. After 2020, charitable gifts up to 60 percent of adjusted gross income can be deducted. Gifts of appreciated assets are deductible up to 30 percent of adjusted gross income. Excess deductions may be carried over for up to five additional years.

Of course, itemizing only makes sense if those deductions are greater than the current standard-deduction amounts.

An Example of Maximizing Deductions With "Bunching"

Jane Gibson and husband, Robert, donate $10,000 to charities each year; their mortgage is paid off; and their only other itemized deduction is $10,000 for state and local taxes, for a total of $20,000. The Gibsons itemized their 2017 deductions, because the $20,000 exceeded their $12,700 standard deduction. But for tax year 2020, they would opt for the standard deduction of $24,800, because it will exceed their $20,000 in charitable gifts and state and local taxes.

The Gibsons might want to consider "bunching" their $10,000 annual charitable contributions into a $30,000 contribution in one year, instead of spreading out their $10,000 charitable contributions over three years. So, in year 1, they could deduct a $30,000 charitable gift and $10,000 in state and local tax for a total itemized deduction of $40,000 (exceeding the 2020 standard deduction of $24,800). In the second and third years, they could use the standard deductions and come out ahead overall. Alternatively, the Gibsons could use "bunching" by making a $30,000 contribution to a donor-advised fund in year 1, and then pay out $10,000 each year to charities from their donor-advised fund over three years.

I've Got Questions

To find out more about making an annual pledge, a designated gift, or a gift to the Endowment Fund, please contact Nina Edwards, finance coordinator (816-523-1602, ext. 111, or nina@standrewkc.org) or any of these St. Andrew's representatives.

- For **designated gifts**: Fr. John Spicer, rector (816-523-1602, ext. 125, or frjohn@standrewkc.org).
- For **annual pledges and gifts**: Stephen Duerst, Stewardship Commission chair (715-573-6950 or sduerst25@gmail.com).
- For **Endowment Fund gifts**: Charles Horner, Endowment Commission chair (816-589-0848 or charlesdhorner@aol.com) or Janet Kelley, Vestry liaison to the Endowment Commission (913-341-5076 or jkkell628@gmail.com).

Talk With Your Financial or Tax Advisor

St. Andrew's is providing this information for your consideration only. Before taking any of the actions suggested above, consult with your financial advisor, tax accountant, tax lawyer, or other qualified tax advisor who knows your personal situation.

Contributors

Charles Horner, chairman of the Endowment Commission and member of the Finance Commission

Gordon Gilpin, member of the Finance Commission and past church treasurer

Janet Kelley, Vestry liaison to the Endowment Commission and member of the Finance Commission

Guy Creveling, member of the Endowment Commission

Fr. John Spicer, rector