

# THE Major Gifts REPORT

MONTHLY IDEAS TO UNLOCK YOUR MAJOR GIFTS POTENTIAL

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INCOME TAX BENEFITS

## Steps to Make 'the Act' Work to Your Organization's Advantage

Partner Christine DeMarea, Husch Blackwell LLP (Kansas City, MO) says the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act (the Act), passed by Congress in December 2010, was not intended to be a permanent answer to the long-term issues facing the United States.

"Instead, Congress put forth an array of temporary measures that are designed to maintain the status quo while providing some amount of stimulus to the economy," she says.

As a result, DeMarea says there are things development officers must focus on, sooner rather than later, to get as much benefit from these temporary measures as possible. She outlines them below:

- Every donor who is 70 1/2 should be advised of the IRA rollover extension. "Many donors like this option. It provides a way to benefit their favorite charities with assets that would be subject to ordinary income tax. There are also other long-term benefits to consider," says DeMarea. "Nonprofits that have maintained regular contact with their older constituents will most likely stay at the top of the donor's minds as they revise their wills."
- Nonprofits should meet with donors and give them options. Higher income tax rates and capital gain rates could impact charitable giving a couple in of ways, DeMarea explains. "If donors think rates are going up, they may wait on giving. The uncertainty surrounding the deductibility of charitable donations also provides incentive to do something now. They could make the deduction now and carry over the excess charitable deduction."
- The higher lifetime gift exemption (\$5 million) broadens the possibility of using charitable lead trusts and charitable remainder trusts. Both of these techniques are designed for specific donors, but they could provide a wonderful opportunity for donors to benefit family and charities at the same time. DeMarea says Charitable lead trusts work especially well when the interest rate is low.

Even if the Act is not extended, a nonprofit could still benefit from improved relationships by laying groundwork now. "For example, if a donor has low basis stock," says DeMarea, "if the Act is not extended, and the capital gain rates go up, the charity could encourage an outright gift of the stock to the charity. The donor would avoid capital gains and receive a charitable deduction."

DeMarea says the best way to promote the Act is to communicate its benefits and provide examples of how it helps the donor. The IRA rollover should be on the top of every development officer's list. "We also recommend that the nonprofit provide updates on changes in the law as they occur. This allows communication and exchanging of ideas."

Source: Christine H. DeMarea, Partner, Husch Blackwell LLP, Kansas City, MO.  
Phone (816) 983-8186. E-mail: Christine.DeMarea@huschblackwell.com

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