Summer legislative updates–and looking ahead to sunsets

Reconciliation legislation is back in play, and while it includes a few tax provisions (*e.g.*, adding a corporate minimum tax and eliminating the carried interest tax break), the proposed legislation is far less sweeping than reforms proposed in earlier versions. Notably, though, the proposal includes $80 billion in budget increases for the Internal Revenue Service, which will help shore up the IRS's expertise and pay for enforcement efforts to collect taxes. Taxpayers and their advisors can likely expect greater scrutiny from the IRS on complex or aggressive transactions in the years ahead if this legislation passes.

Philanthropic individuals and families and their advisors also continue to watch the status of SECURE 2.0 because of the enhancements it proposes to the rules for Qualified Charitable Distributions. SECURE 2.0 could pass through Congress by the end of the year.

While potential tax reform through budget reconciliation legislation may be top of mind for taxpayers and advisors, it's also important to remember that the Tax Cuts and Jobs Act of 2018 (which seems like a long, long time ago!) included several changes to the tax rules for individuals that are set to expire after the close of the 2025 tax year. Unless those provisions are extended, the sunsets could impact tax planning for philanthropic families and individuals. For example, the standard deduction will decrease by nearly half, adjusted for inflation. This means some clients may once again itemize their deductions, thereby influencing charitable giving income tax strategies. In addition, the estate and gift tax exemption amount, increased under the Tax Cuts and Jobs Act, will be cut down so that in 2026 the exemption amount will be approximately $6.2 million adjusted for inflation. This will impact not only estates valued above the current exemption amount of $12.06 million but also estates valued in the $6 to $12 million range. Because assets transferred through lifetime gifts and bequests to charitable organizations are not subject to gift or estate tax, philanthropy may be an effective tax planning tool for even more taxpayers after 2025.

As your clients begin to set their philanthropic goals for the next several years, the team at the community foundation is happy to help structure long-term strategies to maximize not only your clients' tax benefits, but also the benefits to the community. Our professionals are deeply familiar with the short-term, mid-term, and long-term needs of our community, as well as the nonprofits that are working to address those needs. Our experienced team works with you to help your clients support community needs now and in the future through clients' donor-advised funds, field of interest funds, designated funds, and other vehicles established at the community foundation. We strive to align the interests of everyone involved: your client, the charities your client wants to support to improve our community, and you in your trusted role as the client's advisor.