HIGHLIGHTS OF THE CARES ACT

SUMMARY

The following pages provide highlights of the CARES Act Charitable Giving Provisions including possible unprecedented benefits to you. It is important to remember that Unto™ and its employees do not provide tax or legal advice. As with all decisions involving legal or tax matters, you should consult an attorney or qualified tax professional about your particular situation.

CONTACT

Should you have any questions, please contact Tripp Jackson at Tripp.Jackson@unto.com or by phone at 214-662-7871.

Unto: MISSION

As the humanitarian partner of Cru®, Unto™ expresses the kindness of Jesus in the toughest places on earth by relieving suffering, restoring dignity, and revealing hope. We accomplish our mission, in partnership with international Cru ministries, through Food and Agriculture, Clean Water, and Critical Aid. Our partners at Cru work in more than 190 countries in the world.

Highlights of the CARES Act Charitable Giving Provisions

Including Possible Unprecedented Benefits to Cru Ministry Partners

There are generous provisions in the CARES Act to promote increased charitable giving in 2020. Some of these provisions could potentially provide substantial opportunities for tax savings or increased giving for Cru ministry partners. **When considering this, it is important to remember that Cru and its employees do not provide tax or legal advice. As with all decisions involving legal or tax matters, ministry partners should consult an attorney or qualified tax professional about their particular situation.**

The CARES (Coronavirus Aid, Relief and Economic Security) Act was signed by President Trump on March 27, 2020, to help provide financial stability and relief for individuals and businesses affected by COVID-19. Below is information on enhanced benefits in the CARES Act for charitable gifts as well as certain favorable changes to withdrawals from retirement accounts that may impact a person's charitable giving.

Three important changes related to charitable giving in 2020 only:

1. ***An above-the-line deduction up to $300 for cash contributions to charities.*** Donors are eligible for this benefit even if they do not itemize deductions. The contribution(s) must be made in cash to a church or other 501(c)(3) religious charity such as Cru, or other public charity. The provision does not apply to cash gifts to donor-advised funds, supporting organizations or private foundations. Contributions carried over from a prior year and applied to 2020 are not eligible. This provision is beneficial for those individual taxpayers who do not itemize deductions on their tax returns.
2. ***Cash gifts are now deductible up to 100% of Adjusted Gross Income (AGI) for individuals.*** For individuals and married couples who itemize their deductions for charitable giving, the 60% of AGI limit is increased to 100% for certain gifts of cash in 2020. These increases in the charitable contribution limits apply only to cash gifts made to a church or other 501(c)(3) religious charity such as Cru, or other public charity, in 2020. Also, a donor must elect on his or her tax return to have this increased AGI limitation apply. The increased deductibility provision does not include non-cash gifts or cash gifts to donor-advised funds, supporting organizations, or private foundations. Cash gifts can still be made to donor-advised funds, supporting organizations or private foundations subject to AGI limitations in place prior to the CARES Act (see below).
3. ***Required Minimum Distributions (RMD) in 2020 waived for most retirees.*** RMD from traditional IRAs, defined benefit pension plans, and 457 plans for individuals over age 72 are

suspended until 2021. Those age 70 ½ or older may still make so-called Qualified Charitable Distributions directly to charity in 2020.

Additional Opportunities for Ministry Partners

1. ***Possible to Eliminate Federal Taxes in 2020?*** It appears possible for an individual taxpayer to eliminate federal tax on ordinary income this year by making sufficiently large cash charitable contributions to those charities identified in the CARES Act (i.e., a church or other religious charity or a public charity). In addition, it may be possible to take distributions from retirement accounts and eliminate the federal income tax due on these withdrawn funds by giving the distributions to a church or other 501(c)(3) religious charity like Cru or other public charity (see details below). There are at least two creative giving strategies that qualify for this increased cash gift deduction:
    a. **Charitable Gift Annuity (CGA).** A CGA does two things: creates lifetime income for the donor, and makes a generous gift to support ministry. This dual purpose gift may be good for donors who want to make a gift to a charity, while at the same time providing the donors with a lifetime income source. The CARES Act creates a potential unprecedented opportunity for donors to make a generous gift to a qualified charity in 2020 using a CGA, enabling the donor to hedge against future economic volatility by retaining a lifetime income source and receive a tax deduction on the deductible portion of the cash gift up to 100% of AGI.
    b. **Accelerate Cru giving through a Vision Fund.** Donors who anticipate making substantial gifts to Cru for the next several years, can front load that giving in 2020 to take advantage of the increased AGI limitation and save taxes. This is possible through the use of a Vision Fund at Cru Foundation. A large cash donation can be given to a Vision Fund in 2020 and then that pool of funds can be allocated to the Cru ministries or missionaries of their choice in strategic amounts and at suitable times. By accelerating anticipated future giving into 2020, a donor could plan differently for potentially lower AGI limitations in future years. Another advantage of the Vision Fund is that those funds will be invested and any growth in assets will also be available to be directed to the Cru designation of a donor's choice.
2. ***Retirement account strategies.*** Ministry partners who are not subject to the early withdrawal penalties (generally before age 59 1/2), or who qualify for the elimination of the early withdrawal penalty in the CARES Act (see section below on provisions for individuals impacted by COVID-19), may be able to withdraw cash from their retirement accounts penalty free. In 2020, if the individual then gives this cash to a church or 501(c)(3) religious charity such as Cru, or other public charity, it is possible to offset 100% of the federal income taxes due on such retirement account withdrawals. One other thing to note, for years prior to 2020, the only way to transfer a large IRA balance to a charity without having a federal tax liability was at death by using a beneficiary designation (of course, an eligible individual could use a QCD to transfer a portion of a large IRA balance).

But, in 2020, the IRA can sell its assets and distribute the cash proceeds to the IRA holder, who can then give those proceeds to a qualified charity and potentially deduct the amount of the cash gift without regard to AGI percentage limitations thereby offsetting any federal income tax due on the distribution. Be aware that, even if a donor qualifies for penalty-free withdrawals and elects to apply the 100% of AGI limitation in 2020, there may be significant other negative outcomes for donors using this strategy, including, among other things, potential higher state taxes due and increased medicare premiums.

   a. **Special retirement account provisions for individuals impacted by COVID19.** The Act waives the 10% early withdrawal penalty for withdrawals up to $100,000 from qualified retirement accounts, including IRAs and 401(k) plans, for retirement plan participants who qualify for COVID-19 relief. Income tax on the distribution would still be owed but could be paid over a three-year period. This provision applies to qualifying individuals defined as individuals who: (i) are diagnosed with the coronavirus; (ii) have a spouse or a dependent with the virus; (iii) experience financial hardship as a result of quarantine, furlough, lay-off, or reduced hours at work; (iv) are unable to work due to lack of childcare; or (v) own and operate a business that suffers closing or reduced hours. Individuals could "recontribute" the withdrawn funds to the retirement account within three years without regard to contribution limits. For plan accounts, while the law allows for these types of penalty-free distributions from these retirement plans, the participant must contact their plan administrator to determine whether their plan allows for COVID-19 distributions.

3. ***Qualified Charitable Distributions (QCD) are still allowed***. Those age 70 ½ or older may still make tax free direct distributions to a qualified charity, even though the CARES Act suspends required minimum distributions through the end of 2020. Just like in 2019, up to $100,000 may be distributed by the IRA to a qualified charity in 2020 without federal tax and without increasing income of the IRA holder for federal income tax purposes.
4. ***Gifts of appreciated (or depreciated) assets.*** In 2020, non-cash gifts of appreciated assets to churches and public charities are still generally deductible up to 30% of AGI. However, because of the changes to AGI limitation for cash gifts in 2020, individuals may want to consider donating cash as opposed to assets. For example, a donor with depreciated securities could sell them, realize the capital loss and contribute the cash to a qualified charity without regard to AGI percentage limitations. This capital loss could potentially be used to offset capital gain on sale of appreciated assets. Even if a donor recognizes capital gain on the sale of an appreciated asset, donating the sale proceeds to a qualified charity in 2020 could eliminate taxation of any ordinary income for federal income tax purposes, leaving only capital gains to be taxed.
5. ***Giving incentives for corporations.*** In the case of corporations, the usual 10-percent-of-AGI limitation for charitable contributions of cash to qualified charities is increased to 25 percent under the CARES Act. Additionally, contributions of food inventory by any trade or business in 2020 has increased from the usual 15-percent-of-AGI limitation to 25%. For corporate taxpayers these increased giving limits in the CARES Act could provide a significant federal tax benefit.

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