



## Tax cut law has effects on nonprofits

**By Barry VanderKelen**

Last week, President Barack Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. Included in this bill are provisions of interest to nonprofits:

- Extension of the IRA Charitable Rollover for 2010 and 2011. Individuals age 70 1/2 or older are required to withdraw money from their IRAs. Rather than taking the money as income, people can satisfy some or all of the required withdrawal by directing it be sent to qualified 501c3 nonprofits. First introduced in 2006, this provision has generated numerous donations to charity and has assisted individuals with their financial planning. People have until Jan. 31 to satisfy the required withdrawal for 2010, and all of the new year for 2011 required withdrawals.
- Estate tax exemption increase. For the next two years, every person can leave \$5 million to heirs without paying a tax on the bequests. Without this legislation, the exemption would have been \$1 million. Any amount greater than \$5 million will be taxed at a rate up to 35 percent.
- Estate and gift taxes are re-unified. After nearly a decade, there is one graduated system for taxing outright gifts to individuals and distributions to individuals from estates above a certain amount. This unified system makes financial and philanthropic planning easier.
- Charitable donations are still deductible on income tax filings. A provision that would have reduced itemized deductions of higher income taxpayers, the "Pease Amendment," has been delayed until Jan. 1, 2013.

All of these provisions are in effect for the next two years, meaning these issues will be revisited prior to the next presidential and House elections.

As always, nonprofit leaders must insist that donors talk with a licensed legal or financial adviser regarding the implications of laws and taxes on individual circumstances.

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### Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

### Nonprofit Business Column of *The Tribune*

Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes a bi-weekly column to help strengthen nonprofit organizations in the community.

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Each column is reprinted as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at [barry@slocf.org](mailto:barry@slocf.org).