

# The Blitz

June 2019

Information on Tax and Estate Planning from the  
Masonic Charities of the Grand Lodge of Pennsylvania



## HIGHLIGHTS FROM UNIVERSITY OF MIAMI ESTATE PLANNING LAW INSTITUTE

In January of this year, I made my biennial trek to Orlando to attend the University of Miami Heckerling Institute for Estate Planning. Besides being in warmer climates and spending a week locked in a giant conference center with over 3,000 other lawyers from across the United States, it was a very informative conference on the latest estate planning tips and techniques. So, I thought I would take a break from our monthly Q&A format for this issue of *The Blitz* to provide you with some tasty tidbits of highlights from the conference. Some are more entertaining than informative. **Enjoy!**

### INFORMATIVE HIGHLIGHTS

#### Federal Estate, Gift and Income Tax Law

**Changes** - For those of you suffering sleepless nights over what the 2019 Federal Estate and Gift Tax Exemption is, look no further. The exemption is \$11.4 million per person or \$22.8 million per couple. Unless you are a successful businessperson like Jeff Bezos of Amazon or Bryce Harper of the Phillies, then you need not worry anymore about the estate and gift tax. If you exceed these limits, please call me ASAP for a free estate plan appointment. The annual exclusion from the Federal Gift Tax is still \$15,000 per person each year. Any gifts exceeding this amount would not be subject to gift tax but would be used to offset the remaining balance on your

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\$11.4 million credit (unless you have used your \$11.4 million credit up already, in which case you need a tax attorney). The standard deduction for income taxes rises from \$24,000 to \$24,400 for couples and \$12,000 to \$12,200 for individuals.

**New 1040-SR to Become Available** - The Bipartisan Budget Act (BBA) requires the IRS to provide a simplified filing form for seniors. Taxpayers ages 65 and older will be able to use the new form even if they report Social Security benefits, distributions from annuities or retirement plans, interest or dividend payments, or capital gains and losses, according to the BBA. Social Security retirement benefits and income from qualified retirement plans or annuities are not accommodated in the similar 1040-EZ. As a result, many seniors were forced to file the far more complicated Form 1040 simply due to the nature of their retirement incomes and their ages.

Form 1040-EZ also limits overall income to \$100,000 and interest income to \$1,500 annually. The 1040-SR doesn't put a limit on interest, dividends or capital gains, nor does it cap overall income. Give the 1040-SR a spin the next time you file your return.

**Platts Case** - When is a house not always a "house" for a tax deduction - A recent case exemplifies why you need to know how to appraise property for a charitable tax deduction. A taxpayer gave his house to a church camp as a gift. The church decided to move the house in pieces to the camp and then reconstruct it. The taxpayer had the house appraised as an intact house before it was moved and took a tax deduction based on the appraised value. The IRS denied the deduction and said the appraisal was not appropriate because it should have been appraised as a house in pieces rather than intact. The tax court agreed. Moral: Things are not always what they seem with the IRS. Get the right appraisal and a good accountant.

**Final Regs Published for Charitable Gifts** - If you itemize charitable contributions, make sure you know the substantiation rules since these are commonly audited items. Key factors are: If your

gift is less than \$250, you must keep bank records of name of charity, date of gift and amount of gift. If the gift is \$250 or more, you must receive written acknowledgement from the charity with the date of gift, amount and a statement that no goods or services were received in exchange for the gift (a single written acknowledgement for all cash gifts is adequate). A non-cash gift of \$500 or more requires filing of IRS Form 8283 with your tax return. A non-cash gift worth \$5,000 or more requires a qualified appraisal with Form 8283, except if it's publicly traded stock.

**IRAs and New Tax Law Changes** - All hail the Qualified Charitable Distribution (QCD) for Tax Savings - There is no tax on distributions to charity from your traditional IRA for up to \$100,000 per year. You must be age 70½ to take advantage of this way of giving. This is a great way of avoiding tax on your required minimum distribution (RMD) if you don't need all or part of it.

A QCD is usually the best method for giving if you don't itemize (prevents loss of tax benefits). Other advantages of QCDs in reducing your taxable income are:

- a. May prevent imposition of Medicare Part B premiums (\$85,000 single and \$107,000 married) resulting in a 40 percent increase in premium;
- b. May prevent 3.8 percent Obamacare tax on net investment income of \$250,000 or more for married couples and \$200,000 for single; and
- c. Could avoid tax on SSI benefits

Many institutions now issue IRA checkbooks which make it easy to give from your IRA to charity. (Be warned, however, that the gift date for such gifts is when the check clears your account rather than the date the check is written.)

**Grainger Case**- Greedy Grandma Develops Tax Scheme - The taxpayer in this case, according to the Court, was "a retired grandmother who is fond of shopping." Grandma developed what was described at court as her "personal tax shelter."



She decided to purchase clothing at retail stores at deep discounts and then give them to Goodwill as a charitable donation. However, she assumed she could deduct the original price tag amount on each item for her deduction, thereby providing for an opportunity to achieve a net tax benefit simply by buying and immediately donating those items to charity.

Grandma's plan started out modestly. She deducted \$18,000 in charitable donations in 2010. Then she got greedy. She deducted \$32,000 in 2011, \$34,000 in 2012, \$40,000 in 2013 and a whopping \$47,000 in 2014. Just like pyramid schemes, the party ended when grandma's 2012 tax return was investigated. The IRS determined that grandma was only entitled to the cost of the items purchased, not the price tag amount. Grandma was only allowed a \$2,520 deduction

in 2012 instead. Grandma went to court and lost. The court noted that, "No reasonable buyer with knowledge of the relevant facts would pay a price higher than the discounted price charged by the retailer." The moral of the story is that you should seek professional advice before venturing into personal tax shelter schemes, or you risk the ire of the IRS.

I hope you enjoyed the tidbits of information in this edition of *The Blitz*. I am always looking for new topics to write about. If you have ideas in mind, please email me at [ablitz@masonicvillages.org](mailto:ablitz@masonicvillages.org). Have a great summer!

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As Chief Gift Planning Officer for the Masonic Villages in Pennsylvania, Alvin H. Blitz, Esq., serves the Masonic Charities of the R.W. Grand Lodge of Pennsylvania, which consists of the Masonic Villages, the Masonic Children's Home, the Pennsylvania Masonic Youth Foundation, the Masonic Library and Museum of Pennsylvania and the Masonic Charities Fund. Attorney Blitz holds a Bachelor of Science degree from the University of Scranton, a Master of Arts degree from Fairleigh Dickinson University, and a Juris Doctorate from Dickinson School of Law. He has given estate planning seminars throughout the country and is a member of Carlisle Lodge No. 260, Carlisle, Pa.

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## Ask Alvin In Person!

Catch up with Alvin in person to learn updates on the Masonic Charities of the Grand Lodge of Pennsylvania and more about tax and estate planning.

June 2 - 10: Los Angeles, CA  
& Las Vegas, NV

June 19 - 22: Portland, OR

July 7 - 10: Charleston, SC  
& Savannah, GA

July 23 - 27: Phoenix, AZ

Aug. 11 - 17: Nashville, TN &  
Charlotte, NC