

# Red River Valley Estate Planning Council

Trends in Gift Planning  
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# IMPACT OF TAX LAW ON ESTATE PLANNING

# CHARITABLE CONTRIBUTIONS

- Give Back to the Community
- Support Worthy Organizations
- Avoid or Save on Estate Taxes

# CHARITABLE DEDUCTIONS #1

- Benefit
  - ☐ Minnesota Tax Deduction
  - ☐ Federal Tax Deduction
- Burden
  - ☐ None

# CHARITABLE DEDUCTION #2

- Bequest to §501(c)(3) Charitable, Religious, Scientific and Educational Organizations
- Bequest to a DAF at a §501(c)(3) Organization if the Donee Organization Has Exclusive Legal Control Over the Fund

# CHARITABLE DEDUCTION #3

- Amount of Deduction is Limited to Dollar Amount/FMV of Property
- Amount of Deduction Must Be Reduced by any Estate Taxes or Expenses of Administration Paid out of the Bequest

# MINNESOTA ESTATE TAXES

# ESTATE TAX EXCLUSION

- Exclusion Amount
  - ❑ \$3,000,000



# ESTATE TAX RATES

## ➤ Tax Rates

- ❑ 13% --  $\leq \$7,100,000$
- ❑ 13.6% -- \$7.1M - \$8,100,000
- ❑ 14.4% -- \$8.1M - \$9,100,000
- ❑ 15.2% -- \$9.1M - \$10,100,000
- ❑ 16%  $> \$10,100,000$

# FEDERAL ESTATE TAXES

# ESTATE TAX EXCLUSION

- Exclusion Amount
  - ❑ \$13,610,000 (2024)
  - ❑ Spousal Carryover (DSUE)
- Deduction For Minnesota Taxes

# ESTATE TAX RATES

- 18% Tax Rate  $\leq$  \$10,000
- 20% Tax Rate -- \$10K-\$20K
- 22% Tax Rate -- \$20K-\$40K
- 24% Tax Rate -- \$40K- \$60K
- 26% Tax Rate -- \$60K-\$80K
- 28% Tax Rate -- \$80K-\$100K

# ESTATE TAX RATES (#2)

- 30% Tax Rate -- \$100K-\$150K
- 32% Tax Rate -- \$150K-\$250K
- 34% Tax Rate -- \$250K-\$500K
- 37% Tax Rate -- \$500K-\$750K
- 39% Tax Rate -- \$750K-\$1M
- 40% Tax Rate > \$1,000,000

# EXAMPLE #1

# **ESTATE OF \$15,000,000 NO CHARITABLE BEQUEST**

- **Minnesota Tax: \$1,659,000**
- **Federal Tax: None**
- **Remaining Estate: \$13,341,000**

# **ESTATE OF \$15,000,000**

## **CHARITABLE BEQUEST OF \$1,000,000**

- **Minnesota Tax: \$1,499,000**
- **Federal Tax: None**
- **Remaining Estate: \$12,501,000**



# TAX SAVINGS

## CHARITABLE BEQUEST OF \$1,000,000

### ➤ Minnesota Tax

- ☐ (No Bequest): \$1,659,000
- ☐ (\$1M Bequest): \$1,499,000
- ☐ Tax Savings: \$160,000

### ➤ Federal Tax

- ☐ (No Bequest): None
- ☐ (\$1M Bequest): None
- ☐ Tax Savings: N/A

# SOURCE OF CHARITABLE BEQUEST OF \$1,000,000

- State Tax Savings: \$160,000
- Federal Tax Savings: None
- Estate Assets: \$840,000

# EXAMPLE #2

# **ESTATE OF \$20,000,000 NO CHARITABLE BEQUEST**

- **Minnesota Tax: \$2,459,000**
- **Federal Tax: \$1,518,200**
- **Remaining Estate: \$16,022,800**

# **ESTATE OF \$20,000,000**

## **CHARITABLE BEQUEST OF \$2,000,000**

- **Minnesota Tax: \$2,139,000**
- **Federal Tax: \$846,200**
- **Remaining Estate: \$15,014,800**

# TAX SAVINGS

## CHARITABLE BEQUEST OF \$2,000,000

### ➤ Minnesota Tax

- ❑ (No Bequest): \$2,459,000
- ❑ (\$2M Bequest): \$2,139,000
- ❑ Tax Savings: \$320,000

### ➤ Federal Tax

- ❑ (No Bequest): \$1,518,200
- ❑ (\$2M Bequest): \$846,200
- ❑ Tax Savings: \$672,000

# SOURCE OF CHARITABLE BEQUEST OF \$2,000,000

- State Tax Savings: \$320,000
- Federal Tax Savings: \$672,000
- Estate Assets: \$1,008,000

# **PRIVATE FOUNDATIONS VERSUS DONOR ADVISED FUNDS**



# PRIVATE FOUNDATIONS

# ADVANTAGES

- Legal Control
- Maintain Personal Identification
- Select Beneficiaries

# DISADVANTAGES

- Minimum Distributions Required
- 1.39% Investment Income Tax
- Administrative Burdens
  - ❑ Record Keeping
  - ❑ IRS and AGO Oversight

# DONOR ADVISED FUNDS

# ADVANTAGES #1

- Maintain Personal Identification
- Protect Anonymity
- Recommend (Select) Beneficiaries
- Avoid Administrative Burdens
  - ❑ IRS and AGO Filings
  - ❑ Record Keeping
  - ❑ Grant Requests

# ADVANTAGES #2

- No Required Minimum Distributions
- Recommend Investment Advisor?
- Easy Start-Up

# DISADVANTAGES

- Loss of Legal Control
- No Portability

# QUESTIONS?