

# The Blitz

February 2018

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

Welcome to the first issue of *The Blitz*, featuring tax and estate pointers. Over the past 15 years, as the Chief Gift Planning Officer of the Masonic Charities, I have met with many individuals seeking advice about their estate plans. Many questions I answered through the years are most likely common to your personal plans. Therefore, I decided it would benefit you to receive an email each month with a brief question and answer on a topic related to tax or estate issues. Feel free to provide your thoughts on a topic or suggest future topics. For those who are less inclined to use email as their primary source of communication, you are welcome to request the printed newsletter sent bi-monthly with two Q&A topics. I hope you find these topics to be informative and, at times, entertaining.



**The Issue:** A Masonic Village resident recently asked me if he should get his Will reviewed. It was written over 20 years ago, but his wife and two children are still alive. He seemed happy with the way it was and did not want to pay an attorney for a new Will.

**The Answer:** Although every person's situation is different, there are some common items of importance to consider in determining whether or not to have your Will updated. Estate tax laws have changed substantially over the past 20 years (even in the last few months). A Will written in 1997 may include tax provisions that are inappropriate today and could be quite burdensome on the family if not revised. If the resident moved to Masonic Villages from another state, such as Florida, then a new Will done in Pennsylvania is advisable. If the children have come of age over the past 20 years, the Will should be revised in consideration that they are no longer minor children. Provisions for grandchildren may also be needed. Over the years, this resident accumulated assets that are now substantial. The present provisions in the Will need to

## 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.

*Feb. 19 – 22, Tampa, FL*

*March 3 – 7, San Diego, CA*

*March 16 – 18, Charlotte, NC*

*March 21 – 24, Houston, TX*

*April 3 – 7, San Jose, CA*

*April 22 – 27, Raleigh, NC*

*May 10 – 13, Portland, ME*

*June 2 – 10, Portland, OR*

*June 21 – 29, Orange Co., CA  
and Las Vegas, NV*

*July 23 – 28, Phoenix, AZ*

Continued inside



be revised to take this into account, along with determining which assets he would have probated through the Will and which assets should go directly to heirs or charity by designation.

The resident also disclosed that one of his grandchildren is developmentally disabled, and that a different approach to giving the child assets would need to be considered. In addition, he confided that both his children have now moved to California, which could pose a problem as to determining which one would be able (or willing) to serve as the succeeding executor should his wife predecease him. Finally, the attorney who drafted the resident's Will is in Florida, and he does not have an attorney to handle his estate when he or his wife pass away (this problem occurs many times when the attorney who drafts the Will retires or predeceases the client).

In summation, a Will is a written plan for the proper disposition of your assets at your death. Failure to keep your Will up to date is bad business planning and could result in dire consequences to your heirs.

Furthermore, as life changes, our relationships evolve, and the ones we want to share in our financial legacy may change over time. In fact, any desire to help a charity at death must be included in your estate plan.

You need to consider a checkup of your Will every several years or after a life changing event to assure your house is in order. So, if you are one of those individuals like our gentleman who hasn't modified his estate plan in years, I suggest you take the time to get it done before it is too late. If you need an estate planning checklist or advice on finding an attorney, please call 1-800-599-6454. Remember, you can't write or amend your Will after you die.

Neither Masonic Villages of the Grand Lodge of Pennsylvania nor Alvin H. Blitz, Esq. provide legal, financial, or tax advice. None of the information in *The Blitz* should be deemed legal, financial, or tax advice or acted upon by any person without prior consultation with appropriate professional advisors.

## **Special Report**

# **Tax Cuts and Jobs Act of 2017**

The new tax law attempts to simplify our lives by doubling the standard deduction and eliminating or limiting a number of itemized deductions. Depending upon your own personal financial circumstances, this could be good or bad news for you. Outlined below are some highlights of the individual taxpayer changes and how charitable giving may be impacted by these changes. For further details on the new law, please go to "Highlights of the Tax Cut and Jobs Act of 2017" at *MasonicCharitiesPA.org*.

## **The Standard Deduction**

Beginning in 2018, the standard deduction increases from \$13,000 to \$24,000 for married couples and from \$6,500 to \$12,000 for single filers. In addition, the standard deduction for those 65 and older of \$1,600 for singles and \$1,300 for each spouse remains. This loss could be mitigated or even beneficial to those families who can take advantage of the child tax credit of \$2,000 per child under age 17 (remember a credit is better than a deduction since it is a dollar for dollar reduction of your tax liability). A new \$500 credit per non-child dependent is also available. The phase-out on this credit was increased to \$400,000 for couples and \$200,000 for individuals.

The personal casualty and theft loss deduction is eliminated in 2018 unless it is in a federally declared disaster area. Gambling loss deductions are limited to gambling winnings even if expenses include special expenses such as transportation and fees.

## **The Personal Exemption**

The personal exemption of \$4,150 for each individual is reduced to \$0, thereby eliminating this deduction. However, this loss could be mitigated or even beneficial to those families which can take advantage of the child tax CREDIT of \$2,000 per child under age 17 (remember a credit is better than a deduction since it is a dollar for dollar reduction of your tax liability). And for those who pay little taxes, a refundable amount of up to \$1,400 per child is available. A SSN for each child is required to take advantage of the credit. The phase-out of this credit by AGI was increased to \$400,000 for couples and \$200,000 for individuals.

## **Modified Deductions and Losses (some pertinent provisions)**

- Single person or married couples can only itemize up to \$10,000 in state or local property taxes and income taxes.
- With some exceptions, home equity indebtedness is suspended and only acquisition indebtedness up to \$750,000 for new first and second homes (up to \$1 million for existing acquisition indebtedness) is available for the interest deduction.
- Medical expense deductions are available for ALL taxpayers when exceeding 7.5% of adjusted gross income (AGI) for years 2017 and 2018, then the threshold goes back to 10% in 2019.



- Cash charitable contributions to qualifying charities are increased from 50% to 60% of AGI.
- Repeal of Obamacare Individual Mandate begins in 2019.
- Qualified educational expenses under a Section 529 account now include up to \$10,000 per child per year for public, private and religious elementary or secondary schools.
- Estate and Gift Tax Exclusion was doubled so that one can exclude up to \$11.2 million per person from the federal estate and gift tax.

*Please be aware, almost all of the above provisions sunset in the end of 2025.*

## Charitable Giving Observations

- For those age 70½ and older, the qualified charitable distribution of all or part of your required minimum distribution to charity each year is even more attractive, since such distributions are free of income tax, and regular gifts of after-tax cash contributions are less likely to be tax deductible due to the higher standard deduction.
- The exclusion of long term capital gain property such as stock, mutual funds and real estate from taxation is still available, making such contributions to charity attractive even if the itemized charitable deduction is not available.

- The funding of life income gifts, such as charitable gift annuities and charitable remainder trusts with long term capital gain property can be a very attractive strategy for reducing long term capital gains, increasing the chance to itemize your charitable deduction and unlocking income payments for life from such property.
- REMEMBER, the new law only deals with federal income, capital gain and estate and gift taxes. If you are a Pennsylvania resident, then up to 15% of your property at your death could be subject to Pennsylvania Inheritance Tax and certain charitable giving strategies could greatly reduce this exposure.

## What Should I Do Next?

- See your tax advisor to review your personal financial circumstances, and develop a tax strategy that is right for you.
- Contact a gift planner at the Masonic Charities to discuss whether a charitable giving strategy may be beneficial for you.
- **Sign up for *The Blitz* to receive monthly information on various tax and estate planning topics (call 1-800-599-6454).**
- RELAX. Enjoy life while you can, and don't be too proud to seek advice on what is best for you going forward. We are all in this together. Happy 2018!



## Attorney Alvin H. Blitz, Esq.

As Chief Gift Planning Officer of 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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