How the CARES Act Impacts Charitable Giving for 2020

Coronavirus Aid, Relief, and Economic Security (CARES) Act, is a critical acknowledgement by Congress that deems the work of nonprofits as essential services. It is the first time Congress has passed this type of giving incentive in response to a disaster or national emergency.

BASICS:

- **New Deduction Available:** Up to $300 per taxpayer ($600 for a married couple) in annual charitable contributions. This is available only to people who take the standard deduction (for taxpayers who do not itemize their deductions). It is an "above the line" adjustment to income that will reduce a donor's adjusted gross income (AGI), and thereby reduce taxable income. A donation to a donor advised fund (DAF) does not qualify for this new deduction.

- **New Charitable Deduction Limits:** As part of the bill, individuals and corporations that itemize can deduct much greater amounts of their contributions. Individuals can elect to deduct donation limits up to 100% of their 2020 AGI (up from 60% under previous law). Corporations may deduct up to 25% of taxable income, up from the previous limit of 10%. The new deduction is for gifts that go to a public charity. Previous deduction limits apply to gifts to private foundations. The higher deduction does not apply to donations to a DAF.

- **Required Minimum Distributions Waived in 2020 for Most Donors:** Required minimum distributions (RMD) that would have had to start in 2020 do not have to start until 2021, including distributions from defined benefit pension plans and 457 plans. This change will dampen somewhat the incentive for a donor to make a qualified charitable distribution (QCD) from their IRA in 2020. Making a QCD this year will still allow itemizers and non-itemizers alike to direct up to $100,000 from their IRA to charities in a tax efficient manner.

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