

What the CARES Act means for your charitable giving

(Excerpted from Fidelity Charitable)

On March 27, the President signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act to help combat the far-reaching impacts of COVID-19. The bill provides increased tax incentives for charitable giving for both individuals and corporations, signifying an intent to stimulate philanthropy throughout America.

Are you itemizing deductions?

The adjusted gross income (AGI) limit for cash contributions was increased for individual donors. For cash contributions made in 2020, you can now elect to deduct up to 100 percent of your AGI (increased from 60 percent).

Interested in corporate giving?

The AGI limit for cash contributions was also increased for corporate donors. Corporations can now deduct up to 25 percent of taxable income (increased from 10 percent).

Not itemizing?

The CARES Act allows for an additional, “above-the-line” deduction for charitable gifts made in cash of up to \$300. If you are not itemizing on your 2020 taxes, you can claim this new deduction. Married-filing-jointly taxpayers will get an “above-the-line” deduction of up to \$600.

Wondering about your Giving Account?

Both of these new incentives apply only to cash contributions to public charities and do not apply to contributions to supporting organizations or public charities that sponsor donor-advised funds. However, there have been no changes to existing deductions for contributions made into a donor-advised fund. This means you are still able to deduct up to 60 percent AGI in cash and up to 30 percent AGI in appreciated assets contributed to a donor-advised fund.

Existing carry-over rules still apply, so if your donations in 2020 exceed your AGI deduction limits, you may carry forward excess deductions for up to five subsequent tax years.

What about IRA Qualified Charitable Distributions (QCD)?

The CARES Act did not change the rules around the QCD, which allows individuals over 70½ years old to donate up to \$100,000 in IRA assets directly to charity annually, without taking the distribution into taxable income.

However, remember that under the CARES Act, an individual can elect to deduct 100 percent of their AGI for cash charitable contributions. This effectively affords individuals over 59½ years old the benefits similar to a QCD; they can take a cash distribution from their IRA, contribute the cash to charity, and may completely offset tax attributable to the distribution by taking a charitable deduction in an amount up to 100 percent of their AGI for the tax year.

As always, donors should consult with their tax and legal advisors when considering their charitable giving. The window for taking advantage of these changes closes on December 31, 2020.