



CHARITABLE GIVING & THE CARES ACT

\$300 above-the line Charitable Deduction

The CARES Act makes a new charitable deduction available to individual taxpayers that do not itemize their deductions. This new benefit, also referred to as a *universal deduction*, allows for a charitable deduction of up to **\$300** per individual.

This is an above-the-line contribution that is deducted from the individual taxpayer's income prior to the calculation of their adjusted gross income.

Donations to a qualified charity, such as the **Catholic Charity Appeal**, must be made in cash or cash equivalents (as opposed to stock, for example).

Modification of Charitable Deduction Limitations

In addition to the new universal deduction, for 2020, the CARES Act provides incentives for both individuals and corporations by increasing the available deductions on qualified charitable contributions to:

- 100% of their adjusted gross income for individual taxpayers who itemize their deductions. Beyond the scope of the CARES Act, the deduction for qualified charitable contributions made by itemizing individual donors is limited to 60% of their adjusted gross income.
- 25% of taxable income for corporations. Up from the 10% limit which is generally applicable for corporations outside of the CARES Act.

Any deductions beyond the 100% limit may be carried over and used in the next five years. There are factors that may limit a taxpayer's ability to use this provision. Check with your tax advisor to ensure you qualify

Charitable Distribution from your IRA

The CARES Act suspends the requirements for required minimum distributions (RMDs) for the 2020 tax year from certain defined contribution plans and IRAs.

However, making a qualified charitable distribution from an IRA account is still a convenient way to make a gift while also offering tax benefits.

If you are over 70 ½ years old, you can still donate up to \$100,000 in IRA assets directly to charity annually, without taking the distribution into taxable income. So, you benefit even if you do not itemize.

As always, before taking advantage of any of these new provisions, check with your tax advisor to ensure you qualify.