

CARES Act Impacts on Charitable Giving

Non-Itemizer Above-the-Line Charitable Deduction

Effective for tax years beginning in 2020, the law includes an above-the-line charitable deduction of up to \$300 per taxpayer for eligible individuals, defined as non-itemizers. The above-the-line deduction will give nonprofit supporters who normally do not receive tax benefits, incentive to make gifts to their favorite causes this year.

Charitable contribution carryovers from prior years do not qualify for this deduction. If you do not itemize, there will be no carryover. For example, a non-itemizer contributes \$700 in 2020. \$300 will be above-the-line charitable deduction for 2020. The remaining \$400 will not be carried over to any future year though you still will have made a much needed and appreciated contribution.

For Cash Gifts Only. The universal deduction is limited to gifts of cash donated to a qualified charity. In-kind or gifts of non-cash assets are excluded.

DAFs and SOs. The universal deduction is not available for gifts made to donor advised funds (DAFs) or supporting organizations (SOs). Donations from DAFs and SOs are still a vital resource and will be greatly appreciated to preserve and maintain charitable organizations and their programs that serve the community.

100% of AGI Limit for Cash Contributions to Public and Private Charities

This year, taxpayers may deduct gifts of cash regardless of whether given to a public charity or private foundation and deduct them up to their contribution base --100% of their adjusted gross income (AGI). Gifts of cash made to public charities are normally limited to 60% of AGI.

For example, if a donor has an AGI of \$1 million, they can make a \$1 million cash gift to a public charity and take a \$1 million deduction that could wipe out their tax liability. Deduction limits are lower for gifts made to private foundations (30% of AGI for cash gifts). A private foundation donor could make a substantial deductible cash gift this year to be used for grants to help charities for healthcare, coronavirus relief efforts and other charitable needs. Again, gifts to DAFs and SOs do not qualify here for the temporary suspension of deduction limitations.

Normal Carry-Forward Rules Apply

Individual taxpayers who itemize deductions can elect to deduct up to 100% of their AGI remaining after factoring in all other current charitable contributions which are subject to AGI limitations. Any excess cash contributions that are not deducted in 2020 can be carried forward subject to the 60 percent of AGI limit in the succeeding 5 years.

Corporate Gift Deduction Limit Raised to 25%

Normally deductions for charitable gifts made from corporations are limited to 10% of taxable income. The law increases the deduction limitation to 25%. The extra benefit should incentivize some corporations to give back to charities in their communities and those combating the virus and helping with relief efforts this year. Under normal rules, corporations may also take deductions over an additional five years.

Food Contribution Limit Deductions Raised to 25%

Normally deductions for corporations donating food inventory are limited to 15% of business net income. The law increases the food donation deduction limit to 25%, hoping to incentivize more of these contributions to charities this year. There are many food pantries and nonprofit organizations that desperately need food assistance in this time of crisis.