

The CARES Act and Charitable Contributions in 2020

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. While the impact of the \$2.2 trillion response bill is far reaching, here we focus on the key provisions in the CARES Act related to charitable contributions. Please note that the CARES ACT provisions highlighted below are only in effect for the 2020 tax year.

New Giving Opportunity for Non-Itemizers

A new above-the-line charitable deduction of up to \$300 is available to taxpayers who do not itemize deductions.

This deduction applies only to qualified cash contributions and does not apply to cash contributions made to donor advised funds or supporting organizations. It also does not apply to carry-over contributions. Currently, it's unclear whether this deduction will be allowed beyond 2020.

“Unlimited” Deduction for Cash Gifts

For individual taxpayers who do itemize deductions, the CARES Act temporarily suspends the 60% charitable contribution deduction limitation for qualified cash contributions.

Individual taxpayers who contribute cash to a public charity may deduct up to 100% of their adjusted gross income after taking into account other contributions subject to charitable contribution limitations. The unlimited deduction does not apply to contributions made to donor advised funds or supporting organizations.

Individual taxpayers can continue to carry forward any excess charitable contributions for five years. This is only effective in 2020.

Increased Giving Opportunity for Corporations

Corporations may deduct charitable gifts up to 25% of the corporation's taxable income (increased from 10%). This is only effective in 2020.

Relief from the Minimum Distribution Requirement

Required minimum distributions (RMDs) are waived for IRAs, including inherited IRAs, and other qualified retirement plans such as 401(k) and 403(b) plans. This is only effective in 2020.

Of note for 2021, The SECURE Act signed into law in December 2019 increased the RMD age from 70½ to 72.

IRA Qualified Charitable Distributions “QCDs” Can Still be Made

The minimum age for making a qualified charitable distribution (QCD) from your IRA is still 70½, and the annual limit is still \$100,000. The QCD is still available for 2020 even though RMDs have been suspended. Or you can take cash distributions from your IRA and make deductible gifts in 2020, with no AGI limitation.