



(CARES) Act: Coronavirus Aid, Relief, and Economic Security - Key Charitable Provisions & Opportunities*

100% of AGI Limit Available in 2020 for Cash Gifts

Contributions to qualified charities are generally limited to a percentage of a taxpayer's adjusted gross income (AGI). The new law temporarily suspends the 60% AGI limitation. For the 2020 tax year only, donors may elect to apply 100% of adjusted gross income (AGI) limit to cash gifts. Gifts to **donor advised funds (DAFs) or supporting organizations (SOs) are not eligible** for this special election. Any excess contributions can be carried over to the next five years.

Planning Notes

- *Donors who are considering an asset gift might find it more advantageous to sell first and give cash, rather than donate some or all of the asset prior to sale, which is still subject to the 30% limit.*
- *In the event the taxpayer made a multi-year pledge, he /she might want to accelerate payment of the pledge balance in 2020. The charity would have the use of the money sooner-and the taxpayer could use the deduction more quickly.*
- *Like the \$300 deduction for non-itemizers, the suspension of the contribution limit does not apply in the case of gifts to donor advised funds and supporting organizations. The gifts in most cases must be to public charities.*

Increased Charitable Deduction Limits for Corporations in 2020

The CARES Act temporarily increases the deductibility of cash charitable contributions during 2020 from 10% to 25%. The CARES Act also increases the deduction for contributions of food inventory from 15% to 25%.

Suspension of Required Minimum Distributions

Individual Retirement Accounts (IRAs) owners may temporarily suspend the requirements for Required Minimum Distributions (RMD) for the 2020 tax year. This allows IRA owners to keep funds in their IRAs and other qualified retirement accounts. This provides relief to those who would be required to withdraw funds from their retirement accounts during the stock market decline linked to COVID-19.

A Qualified Charitable Distribution (QCD) can still be made to charity from qualified IRA at age 70½, just as before, if it makes financial sense to do so.

Qualified Retirement Plan Distributions

The CARES Act waives the 10% early-distribution penalty prior to age 59½ from qualified retirement plans for **COVID-19-related distributions** in 2020. Taxpayers may repay the coronavirus-related distribution (CRD) over three years. Distributions may not exceed \$100,000 per participant.

The waiver of the 10% penalty applies to distributions made on or after January 1, 2020 and before December 31, 2020, for account holders if they are:

1. Individuals diagnosed with COVID-19,
2. individuals whose spouse or dependent was diagnosed with COVID-19, or
3. individuals who experience, due to COVID-19, adverse financial consequences as a result of being quarantined, being furloughed or laid off, or having work hours reduced due the virus, being unable to work due to the lack of child care due to the virus, or closing or reducing hours of a business owned or operated by the individual due to the virus, or other factors as determined by the Treasury Secretary.

Income taxes will still be owed on withdrawn amounts, but individuals may pay the tax on this income over a three-year period beginning in 2021. Those repayments will not be subject to annual retirement plan contribution limits.

Universal Charitable Deduction

The Act allows an above-the-line income tax charitable deduction up to \$300 (\$600 for a married couple) even if the taxpayer does not itemize his/her 2020 income tax return. *The deduction is in addition to the taxpayer's standard deduction.* This tax incentive is available for gifts to qualified charities (and **not to donor advised funds**).

***Example:** A taxpayer takes the standard deduction of \$12,400 for 2020 and makes a \$300 cash gift to a qualified charity in 2020. The taxpayer may claim the \$300 above-the-line deduction in computing his/her adjusted gross income-for total deductions of \$12,700.*

***Example:** Taxpayer and spouse have itemized deductions totaling \$20,000. They would claim the standard deduction of \$24,800 rather than itemizing. If they contribute to charity cash of \$600, they would elect the standard deduction and deduct the \$600-for total deductions of \$25,400.*

Estate Gift Opportunities

Estate Planning attorneys and online web services providing will and other estate planning documents report record interest in estate planning documents and resources indicating, that there are appropriate opportunities to engage in future gift conversations with long-term stakeholder donors.

*Prepared by The FOCUS Group as a resource for clients and donors. As is always the case, individual donors should consult their financial advisor to determine how these new provisions best apply to their circumstances.