

Charitable Giving Under the CARES ACT (2020)

On March 27, 2020, the CARES ACT (Coronavirus Aid, Relief and Economic Security) was enacted. The Act included provisions to encourage immediate action by donors to Section 501(c)(3) charitable organizations. These provisions are for 2020 tax year only.

For donors who no longer itemize their deductions (for example, retirees who have moved into a senior living facility and no longer have a mortgage), they can now receive a \$300 “above the line” deduction for donations in addition to their standard deduction.

For taxpayers able to make a more significant cash gift or gifts in total, the limit on gifts to charities has been raised in 2020 from 60% of adjusted gross income to 100% of adjusted gross income. These gifts must go to operating charitable organizations and not organizations designed to facilitate deferred giving (donor advisor funds, private foundations and supporting organizations). The point is for these gifts to have an immediate impact. The gifts can go to any charity and is not limited to the fight against COVID-19.

For traditional C Corporations (like Ford Motor, Target, Costco) the limit on contributions has been raised from 10% of net taxable income to 25%, to encourage more impactful giving by companies. And business deduction limits for contributions of food inventory has been increased from 15% to 25% of a business’s taxable income.

There are additional ways to enhance your donations, including raising adjusted gross income by doing a conversion from a regular IRA to Roth IRA. There are also limitations on donations of appreciated property. As always, we recommend that you consult your tax advisor before making a major donation.

Many people have really stepped it up during this challenging year and have given very generously. But there are still many local organizations that are still trying to make up for lost program and event revenue. PPP loan benefits only lasted for the summer so many challenges remain. It is not too late to make donations that will help a local organization and have a positive impact on your 2020 taxes.

This information is brought to you by Jeff Schroeder, a Partner at Sasseti LLC, in partnership with Oak Park-River Forest Community Foundation. Jeff Schroeder brings over 30 years of audit and tax experience to the firm. Prior to joining our firm over twenty years ago, he worked on the audit staff of an international accounting firm. Today, Jeff’s clients include not-for-profit organizations, individuals, and privately held businesses. Learn more at www.sasseti.com

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