

# CARES Act Enhances 2020 Charitable Giving Opportunities

To help encourage charitable giving in 2020, the CARES Act provides several key changes to 2020 charitable contribution rules.

## Increased charitable deduction AGI limitation

For 2020, the CARES Act increases the adjusted gross income (“AGI”) limitation for cash gifts to public charities to 100% of AGI (formerly 60%). This high deduction limit will enable individual taxpayers who itemize their deductions to deduct cash gifts that they make to public charities to the extent of their AGI. The 60% limitation, however, remains in effect for cash gifts to donor advised funds. Other charitable deduction AGI limitations for individuals are unchanged (i.e., gifts of stock to public charity are still subject to the 30% of AGI limitation).

Charitable contributions cannot create a net tax loss, so the income tax deduction is really limited to 100% of AGI minus other itemized deductions.

***Example:** A married couple has AGI of \$200,000 and has \$20,000 of other itemized deductions. In 2020, they can deduct cash gifts they make to public charities up to \$180,000.*

Charitable contributions of cash in excess of the AGI limitation amount can be carried forward for five years. The carryover amount will be subject to the AGI limitation in effect in those future years.

## Tax year 2020 charitable deduction rules

	Public Charity		Private Foundation	
	Deductible Amount	Deduction Limitation as a Percentage of AGI	Deductible Amount	Deduction Limitation as a Percentage of AGI
<b>Cash</b>	<b>Fair Market Value</b>	<b>100%</b>	Fair Market Value	30%
Cash - Donor Advised Fund	Fair Market Value	60%		
Ordinary Income Property	Cost Basis	50%	Cost Basis	30%
Short-Term Capital Gain Property	Cost Basis	50%	Cost Basis	30%
Long-Term Capital Gain Property	Fair Market Value	30%	Qualified Appreciated Stock: Fair Market Value	20%
			All Other LTCG Property: Cost Basis	20%

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### \$300 above-the-line charitable deduction for individuals using the standard deduction

Individuals who take the standard deduction typically do not get any deduction for charitable gifts. For 2020, the CARES Act creates a \$300 (\$600 married filing jointly) above-the-line deduction for a taxpayer who takes the standard deduction and makes cash gifts to public charities.

### Charitable giving planning strategies with retirement plans and IRAs

- Even though the CARES Act suspends required minimum distributions (“RMDs”) from qualified plans and IRAs for 2020, a taxpayer could choose to take a taxable distribution from an IRA and give up to 100% of that amount as a cash gift to a public charity.
- A taxpayer could choose to do a Roth IRA rollover in 2020. This additional taxable income would increase AGI and allow for more deductible gifts to charity.
- A taxpayer age 70 ½ or older still has the option annually to make a qualified charitable IRA distribution of up to \$100,000 directly to a charity. This amount is not included in income and not deductible.

### Other CARES Act Charitable Contribution 2020 Changes

- The charitable deduction limitation for C Corporations increases from 10% to 25% of taxable income.
- The limitation for charitable contributions by C Corporations of food inventory increases from 15% to 25% of taxable income.

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