



Charitable Giving Tax Changes for 2020

Charitable Giving Deduction for taxpayers that itemize

Part of the CARES Act that was passed for coronavirus relief created a new charitable deduction for donors who chose the standard deduction versus itemizing. Donors who take the standard deduction can deduct up to \$300 in charitable giving for the 2020 tax year. This deduction will appear on the tax returns for 2020 above the line for calculating adjusted gross income (AGI). AGI is important because it affects how much income tax the donor will pay. If they are self-employed, it will also impact the amount of self-employment tax they pay for Social Security and Medicare. This deduction only applies to a cash donation. It does not include stock gifts or other non-cash gifts.

Suspension of charitable deduction limits

For donors who itemize their deductions, the amount they can deduct for charitable giving was limited to 60% of adjusted gross income (AGI). For 2020, the AGI limit has been eliminated for cash donations. This may allow high net worth donors to give more of their assets to charities.

Required Minimum Distributions (RMD) from Traditional (non-Roth) IRAs and 401k accounts

The CARES Act suspended the RMD that taxpayers with traditional IRA and 401k accounts are typically required to take. RMDs are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that the account owner turns 72 (70 ½ if you reach 70 ½ before January 1, 2020). The suspension of RMDs for 2020 may impact some charitable giving by donors who usually would have had to take RMDs.

IRA/401k charitable transfers

While there are no RMDs for 2020, donors who do take distributions from traditional IRAs and 401k accounts pay taxes on the amount distributed. The account owner can still make a charitable transfer of up to \$100,000 from a traditional IRA or 401k account. The amount transferred would not be subject to federal income tax and in some cases, state income tax. **The transfer must be made directly from the IRA or 401k account to FCA.**