CARES Act Helps Charitable Donations

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which the President signed into law on March 27, 2020, provides more than $2 trillion in relief. This will impact large and small businesses, health care providers, nonprofits, and individual citizens. Here are some key provisions that may make donations to nonprofits like The Salvation Army advantageous this year.

- **Non-itemizers eligible for $300 charitable deduction**: Presently, only those who itemize their income tax deductions can use a charitable deduction. For the rest of 2020, an individual will be able to deduct up to $300, irrespective of whether they itemize their deductions. This “above the line” deduction can be used for contributions only of cash (not stock) to qualified charitable organizations. This will be helpful for organizations as they ask for donations through email, direct mail, and in person from donors who usually make smaller gifts. This may not be used to fund Donor Advised Funds or Supporting Organizations.

- **People who make larger gifts will be able to deduct a much higher amount**: Under current law, an individual may deduct up to 60% of their adjusted gross income (AGI) for charitable deductions of cash. The stimulus package lifts that restriction, so that an individual can make a gift only of cash (so once again not stock) and deduct it up to 100% of their AGI for the year 2020. This is an election, so the donor who wants to use this provision must tell the IRS so. This is helpful for donors and could allow a person to make charitable gifts that reduce their tax burden. Any contributions in excess of total AGI may be carried forward for up to five additional years, subject to the 60% of AGI limit in those years, which is yet another benefit and planning tool. Again, this may not be used to fund Donor Advised Funds or Supporting Organizations.

- **Required minimum distributions waived in 2020 for most donors**: Most donors will not have a required minimum distribution from their retirement plan in 2020. Minimum distributions will not be required from IRAs, 401(k)s, 403(b)s and most other defined contribution plans maintained by an employer for individuals.

- **Certain corporations have much greater incentives to make charitable gifts**: Charitable deductions for corporations are usually limited to 10% of the corporation’s taxable income. That limit has been increased for certain types of corporations to 25% of taxable income, marking charitable gifts much more attractive to many companies. A similar limitation on corporate giving of food inventory, currently limited to 15% has been boosted to 25%.

- **Additional provisions**: There is a delay of the 2019 Federal tax filing and payment deadlines from April 15 to July 15 (State tax filing and payment deadlines are also generally extended but vary by State); lifting of certain IRA early withdrawal penalties for those affected by COVID-19; and other individual and business benefits, which are designed to address the hardships imposed by the pandemic of COVID-19.

THE SALVATION ARMY DOES NOT PROVIDE TAX OR ACCOUNTING ADVICE. PLEASE CONSULT YOUR TAX AND ACCOUNTING ADVISORS TO EVALUATE YOUR OWN PERSONAL SITUATION.