



NEW 2020 TAX INCENTIVES FOR NONPROFIT DONORS

The CARES Act passed earlier this year provides increased tax incentives for charitable giving. Here's some information that may help you make a significant gift in this year of great need.

Itemizing deductions?

The adjusted gross income (AGI) limit for cash contributions was increased for individual donors. You can now deduct up to 100 percent of your adjusted gross income (AGI). This is a 60% increase over tax year 2019.

For 2020 the standard federal deduction used in lieu of itemized deduction is \$24,800 for couples and \$12,400 for single filers (slightly higher for those over 65). If your deductions come close to matching the standard deduction, you can make extra charitable gifts and get a larger tax break by itemizing. As always, keep a record of your contributions.

Not itemizing?

The CARES Act allows an additional, "above-the-line" deduction for cash donations of up to \$300. To qualify you must take the standard deduction and make your donation to a 501 (c)(3) non-profit organization

Interested in corporate giving?

The AGI limit for cash contributions was also increased for corporate donors. Corporations can now deduct up to 25 percent of taxable income (increased from 10 percent).

Donor Advised Funds (DAFs)

The new incentives apply only to cash contributions to public charities and not to contributions to supporting organizations or public charities that sponsor DAFs. However, there have been no changes to existing deductions for contributions made into a DAF. You're still able to deduct up to 60 percent AGI in cash and up to 30 percent AGI in appreciated assets contributed to a DAF.

Existing carry-over rules still apply, so if your donations in 2020 exceed your AGI deduction limits, you may carry forward excess deductions for up to five subsequent tax years. Donors should consult with their tax and legal advisors when considering their charitable giving.

Interested in gifting assets?

Nonprofits organizations can accept gifts of shares of stocks and mutual funds that have risen in value since you acquired them. Shares held for less than a year can be donated without having to pay tax on capital gains.

IRA Qualified Charitable Distributions (QCD)

The CARES Act didn't change rules around the QCD which allows individuals over 70½ years old to donate up to \$100,000 in IRA assets directly to charities annually without taking the distribution into taxable income. However, under the CARES Act an individual can elect to deduct 100 percent of their AGI for cash charitable contributions. This allows individuals over 59½ years old benefits similar to a QCD; they can donate a cash distribution from their IRA to charity and may completely offset tax attributable to the distribution by taking a charitable deduction in an amount up to 100 percent of their AGI for the tax year. If you're planning a large donation in 2020, this may be a smart strategy for those ages 59½ to 70½ who aren't dependent on existing retirement funds.

Distribution checks must be made out to the charity and not to you. Required minimum distributions (RMDs) are waived for this year, but in the future, you'll be able to use contributions to fulfill all or part of any RMDs you might be obligated to take.

This tax information is general and educational in nature and should not be interpreted as legal or tax advice.

Sources:

AARP Bulletin September 2020: *Charity in a Difficult Year*, Linda Stern

www.fidelitycharitable.org - *What the CARES Act means for your charitable giving.*