# Impact of 2020 CARES Act on charitable giving

August 24, 2020, by: John J. White

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act, more widely known as the CARES Act. This Act provides significant tax relief and charitable giving benefits of both small and large gifts donated in 2020. An outline of these gift-planning strategies are as follows.

**100% deduction for cash gifts to public charities**

- Individuals may now deduct up to 100% of their gross income for cash (or check) donations to public charities; this is a 60% deduction increase.
- This increased deduction ceiling applies only to *public charities*, not to private foundations, “supporting organizations,” or donor advised funds. (The lower 30% limits continue to apply to gifts to those organizations.)
- All public charities are eligible, not just those involved in coronavirus relief.
- The increased limit does not apply to gifts other than cash.

**“C” corporations also qualify for the charitable gifts deduction** The CARES Act increased the deductible limit for “C” corporations cash donations to 25% of taxable income, up from 10%, for contributions to public charities.

**Five year carryover for excess gifts** Donations that exceed the gross income/taxable income limits have a five year carryover, with limits reverting to the 60%/10% limit in 2021 and later years.

**Special charitable deduction for non-itemizers** Individual taxpayers who do not itemize for 2020 may claim a deduction, *from their gross income*, for up to $300 in cash donations to public charities. This deduction could be especially advantageous for non-itemizers given it reduces adjusted gross income (possibly affecting eligibility for other tax benefits). This is also on top of the standard deduction.

**No change to stock donations, property donations, or gifts to donor-advised funds/private foundations**
There were no changes in the CARES Act for deductible gift limits of 60% cash donations to donor-advised funds (30% for appreciated stock) and 30% for cash gifts to private foundations (20% for appreciated stock gifts). Targeted, or special purpose gifts, to a public charity will qualify for the increased deduction.

**2020 charitable gift planning** For high income givers, two older ideas along with one new idea will apply for 2020:

**Old Idea. Qualified Charitable Distributions from IRAs:** Taxpayers over the age of 72 (newly required start date for retirement distributions) may still contribute up to $100,000 annually from their IRA Required Minimum Distributions (RMDs) to public charities, tax-free. This tax-free distribution does not apply to withdrawals from other types of retirement plans, such as 401k or 403b plans. More generous donors may consider cash gifts of up to 100% of gross income, which would further shelter taxes on IRA distributions to charity. **Note:** RMDs have been suspended for 2020, so taxpayers who do not need their RMDs for support could instead skip the 2020 RMDs, rather than draw on depreciated assets, and then use personal funds to make charitable gifts this year.

**Old Idea. Giving Appreciated Stock:** Charitable gifts of appreciated stock or real estate can still provide major tax benefits. The gain on the asset escapes taxation, but individual taxpayers can still take a deduction for the fair market value of the donated assets.

**New Idea. Combine a Roth Conversion with Cash Gift:** Combining a large cash donation and a Roth conversion could be a great opportunity for many givers in 2020. An individual with the goal of making a $400,000 cash donation, and expected 2020 gross income of $200,000, could also convert up to $200,000 from a regular IRA to a Roth with little or no additional tax. The 100% “ceiling” on charitable gifts would shield both the Roth conversion and the individual’s other 2020 income. If the regular IRA assets have temporarily declined due to coronavirus market wobbles, proper timing of a conversion can save additional taxes (the assets would be valued at the date of conversion, not their later value after recovery from the decline).