

The CARES Act and Effects on Charitable Contributions

The Coronavirus, Aid, Relief and Economic Security (CARES) Act changes the limitations on charitable giving in 2020 to encourage individuals and corporations to make cash contributions to public charities such as universities, schools, churches and hospitals.

FOR INDIVIDUALS WHO TAKE THE STANDARD DEDUCTION

The CARES Act adds a new above-the-line deduction that allows an individual to deduct up to \$300 (\$600 for a married couple) of cash contributions to public charities during 2020. This is in addition to the standard deduction. Donations to a donor advised fund do not qualify for this deduction.

FOR INDIVIDUALS WHO ITEMIZE THEIR DEDUCTIONS

Individuals can elect to deduct cash contributions to public charities (not including donor advised funds) up to 100% of their 2020 adjusted gross income (AGI), up from 60% previously. If the contribution exceeds the 100% of AGI limitation, the individual can carry forward the excess portion of their gift as a deduction over the next five years.

FOR CORPORATIONS

Corporations can deduct up to 25% of their taxable income for cash contributions to public charities (not including donor advised funds) in 2020, up from 10% previously. If the contribution exceeds the 25% limitation, the corporation can carry forward the excess portion of their gift as a deduction over the next five years.

FOR INDIVIDUALS WITH RETIREMENT ACCOUNTS

You may still make direct distributions to charitable organizations from your IRA in 2020, just as before. The direct distribution to a charity would not show up as taxable income to the individual.

The CARES Act provides a temporary waiver of the required minimum distribution (RMD) requirements for individuals age 72 and older. Such individuals may now suspend RMDs for certain retirement plans and accounts, including IRAs and 401(k) and 403(b) plans, which otherwise would be required to be made during 2020.

This is for general informational purposes and does not constitute legal, financial or tax advice. This information is current as of May 6, 2020 and may not reflect subsequent developments as the law continues to evolve on these matters. Do not act upon the information contained in this document without obtaining qualified, legal, financial and tax advice.



1900 Belmont Boulevard
Nashville, TN 37212-3757
p 615.460.5517 | f 615.460.5502
development@belmont.edu
BELMONT.EDU