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Charitable Giving under the CARES Act August 13, 2020

There are two provisions under the CARES Act increasing the deductions for charitable donations made by **Individual Taxpayers** made in **cash**.

1. For 2020, taxpayers will be allowed a deduction for up to \$300 of charitable donations, even if **you do not** itemize deductions.
2. In past years, deductions for charitable donations made in cash have been limited to 50% or 60% of adjusted gross income. For 2020, taxpayers may elect to deduct charitable donations up to 100% of adjusted gross income.

The following items **do not qualify** for the enhanced deductions detailed above:

- Contributions made to private non-operating foundations, supporting organizations, and donor-advised funds although they remain deductible up to the existing limits previously in place.
- Contributions of stocks or other securities which are limited to 30% of adjusted gross income.
- Contributions of real or personal property

Tax Planning Considerations:

- If a taxpayer is anticipating a large income in 2020, they could consider making significant charitable donations to qualifying charitable organizations before December 31, 2020.
- Consider a 2020 Traditional IRA to Roth IRA conversion in the same year as making large charitable donations to qualifying charitable organization to offset some of the income from the conversion.
- With the delayed Required Minimum Distributions from IRAs, this may reduce the incentive to make charitable donations from the IRA in some cases.
- If a taxpayer makes both cash donations to a qualified charitable organization and noncash contributions in 2020, the limitations are applied first to the cash donations, and then to the other categories.

The CARES Act also made changes related to contributions for other taxpayers.

- For C Corporations, the Act temporarily increases the taxable income limitation on charitable donations from 10% of taxable income to 25%.
- The ACT increases the limitation on deductions for contributions of food inventory from 15% to 25%