

The CARES Act Includes Tax Provisions That Reward People Who Donate to Charity

Above the line charitable deduction

Section 2204 of the Act amends the Internal Revenue Code by adding new § 62(a)(22), allowing taxpayers who do not itemize deductions to deduct up to \$300 for certain charitable gifts made in 2020. The contribution must be made in cash to a public charity other than a supporting organization or donor advised fund.

Suspension and relaxation of percentage limitations for cash gifts

The other and more important provision to encourage charitable giving is made by Act section 2205 which eliminates the Code § 170 percentage limitations on most cash gifts to public charities.

Planning strategies with suspension of percentage limitations for cash gifts by individuals

What strategies should donors consider given the temporary elimination of percentage limitations for certain cash contributions? Gifts of securities are not “qualified charitable contributions.” A donor with securities which have declined in value below cost may wish to sell those securities, realize the capital loss and contribute the cash without regard to percentage limitations.

Charitable implications of suspension of qualified plan required minimum distributions

Note that the CARES Act also made several changes to retirement plan distributions, which may affect charitable giving. Section 2203 of the Act suspends required minimum distributions (RMDs) from most qualified retirement plans, including IRAs. This could reduce the incentive to make charitable distributions from IRAs in 2020. (The IRA charitable rollover remains available in 2020.) For example, the best strategy for a taxpayer with an RMD of \$100,000 who usually makes \$50,000 in IRA charitable rollover gifts each December may be to make no IRA charitable gift in 2020 and make \$50,000 rollover gifts in January and December 2021.

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