As part of sweeping legislative efforts designed to provide support for individuals, companies, and non-profit organizations, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This new law includes provisions that may have an impact on your personal, financial, and charitable plans for 2020. Corporations receive a benefit as well on donations as well.

Do you take the standard deduction on your income tax return?

The CARES Act provides an extra incentive for charitable gifts for those who don’t itemize deductions. You can take a charitable deduction for gifts up to $300 ($600 for married couples) even if you don’t itemize your deductions on your 2020 income tax return. This provision was included in the legislation specifically to encourage charitable gifts at a time when the need is significant at charitable organizations.

Do you itemize your deductions? There are incentives for you too!

For the 2020 tax year, donors can take an income tax deduction for charitable gifts of cash to public charities limited only by their adjusted gross income (AGI). Ordinarily, the deduction for cash gifts would be limited to 60% of adjusted gross income (AGI). The new law temporarily increases that limit to 100% of AGI. This special incentive is not available for gifts of securities or other assets – and it’s not available for gifts to donor advised funds.

Do you have an IRA or other Qualified Retirement Plan? There’s good news!

The CARES Act temporarily suspends the required minimum distribution (RMD) you might otherwise have to take from your IRA or other qualified retirement plan for the 2020 tax year. If you are 70 ½ or older, you can still use your IRA to make a charitable gift if it makes financial sense for you to do so. The IRA Rollover (also known as a Qualified Charitable Distribution or QCD) can be a great strategy if you plan to make charitable gifts and you don’t itemize your deductions. It might also be a good way to reduce your income for purposes of Medicare premiums and for the portion of your Social Security subject to income tax. You can make a lasting impact with a charitable gift by naming a charity as a beneficiary of your IRA while reducing the tax implications for your heirs.

Corporations can benefit too!

The taxable income limit that applies to cash contributions made by corporations to charity is increased under the CARES Act from 10% to 25% for 2020. The usual 10% limit still applies to other charitable contributions by corporations, and those contributions reduce the 25% limit dollar-for-dollar. Qualified cash contributions in excess of the 25% limit can be carried forward for up to 5 years under the usual limits.