

The Cares Act and other Opportunities for Your Individual Charitable Provisions

Charitable organizations, along with your church, synagogue or religious sanctuary have always struggled for your contributions. The COVID-19 pandemic has made that struggle even more difficult. As a result of living under the stay at home mandates and practicing social distancing, individuals and families have been less involved in their normal activities. This includes participating in religious services, and even providing their time to volunteer programs. In addition, the current unemployment rate has exceeded 30 million from the third week of March up to April 25, 2020. The unprecedented surge in layoffs as businesses shutdown to combat the coronavirus pandemic, has pushed the unemployment rate to the highest levels since the Great Depression of the 1930s. On top of concerns for working individuals and their loss of income and benefits, the low interest rate climate has reduced income for retirees, thus limiting their discretionary income and their ability to continue charitable giving. With more individuals concerned about their own personal financial security, charitable contributions are among the first of items that are cut to conserve funds.

This summary is provided to introduce you to various options available to you for either continuing your charitable contributions, and or utilizing techniques that may make it easier to provide funds for your favorite charitable organizations.

The CARES Act and Charitable Contributions

On March 27th, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Act aimed at providing financial relief for the economic downturn caused by the Coronavirus pandemic.

The Act has provided two specific provisions changing the limitations on charitable giving to encourage individuals and corporations to make cash contributions to public charities.

1. **Above-the-line deduction.** Under prior rules, individuals who do not itemize their deductions on their income tax returns could not take a charitable deduction for cash contributions to qualified charities. The passage of the Tax Cuts and Jobs Act of 2017 drastically reduced the number of individuals who chose to itemize deductions by (a) raising the standard deduction to \$12,400 for single taxpayers and \$24,800 for taxpayers that are married filing jointly, and (b) capping the deduction for state and local taxes at \$10,000. The CARES Act adds a new above-the-line deduction that allows an individual who does not itemize to deduct up to \$300 of cash contributions to a qualified charity. This is in addition to the standard deduction. ¹

2. **Relaxed limitations on deductions for individuals.** For individuals who choose to itemize, IRC Section 170(b)(1) limited the deduction for cash contributions to qualified charitable organizations to 60% of the individual's adjusted gross income. Under the CARES Act, however, the deduction for cash contributions to a qualified charitable organization in 2020 is increased to 100% of the individual's adjusted gross income. If the contribution exceeds the limitation, the individual can still carry forward and utilize the excess amount over the following five years.¹

2017 Tax Cuts and Jobs Act (TCJA) – Maximizing Charitable Contributions Tax Benefits

The 2017 Tax Cuts and Jobs Act (TCJA) completely changed individuals filing practices and the utilization of Itemized versus Standard Deduction. Under the TCJA, the 2020 Standard Deduction for those filing Married Filing Jointly benefit from a \$24,400.00 deduction, while Single, Married Filing Separately may utilize a \$12,400.00 deduction. Taxpayers who are at least 65 years of age, blind and or filing as a single or head of household status receive additional deductions. As a result many tax filers utilize the higher Standard Deduction versus an Itemized Deduction, and can no longer deduct their charitable contributions.

One way to maximize the tax benefits in regards to your charitable contributions is to lump multiple years of contributions in a single year. This allows for the opportunity of filing an Itemized return for that individual tax year, and receiving the benefit of the full deduction against your income. Contributions may be applied to charitable organizations in a single tax year, or distributing the contribution over multiple years with the utilization of various Charitable Trust programs.

There are multiple opportunities to enhance your charitable giving, and increase your net after tax cash flow. Efficient estate and financial planning includes the proper structure of estate documents including Wills and individual or family Trusts, correctly identifying life insurance and retirement account beneficiaries, redirecting your IRA Required Minimum Distributions (RMD's) directly to satisfy your charitable giving, and implementation and utilization of the various Charitable Trust opportunities available. Please call our office to learn how to develop a comprehensive Charitable Giving program, or speak with your Legal or Tax Advisor to discuss your options.

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¹ Page 1, #1 and Page 2, #2 Summarized By [Steven M. Saraisky](#) & [David J. Choyne](#) on April 8, 2020
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