CARES Act Impact on Charitable Giving

Recently enacted federal legislation, known as the CARES Act, includes several provisions that impact charitable giving. The first is a new “Above the Line” deduction. For the year 2020, all taxpayers may deduct up to $300 in charitable gifts, even if not itemizing and taking the standard deduction. This deduction ultimately reduces income subject to income tax.

Second, the 60% limitation on the deductibility of cash gifts will increase for 2020. Previously, a taxpayer could deduct a charitable gift of cash up to 60% of their adjusted gross income. In 2020, that limitation has been increased to 100%. In other words, a taxpayer may deduct up to 100% of their adjusted gross income for a cash gift given to a qualified charity in 2020.

Finally, a provision that may negatively impact charitable gifts is the waiver of any required minimum distributions (RMDs) from individual retirement account plans and IRAs for tax year 2020. The CARES Act RMD waiver means that individuals who have attained age 70½ in 2019 or before, or who have attained age 72 in 2020, are not required to withdraw their RMDs from retirement plans or IRAs in 2020. A taxpayer can still direct an IRA distribution to charity this year, but because there is no requirement to take an RMD, there is no tax benefit, and it may be less likely that a gift from an IRA will be made directly to charity.

This information is for educational purposes. It is not offering professional tax, legal, or accounting advice. For specific advice about how charitable giving affects an individual’s situation, please consult a qualified professional adviser.