CARES Act Information

Benefits to taxpayers who do not itemize their taxes

As a result of the CARES Act, individuals who take the standard deduction (rather than itemizing) on their 2020 tax return can claim a brand new “above-the-line” deduction of up to $300 ($600 for a married couple) for cash donations to charitable 501(c)3 nonprofits. Donations to donor advised funds and certain organizations that support charities are not deductible. Normally, one must itemize on Schedule A to request a tax deduction for charitable donations.

Benefits to taxpayers who itemize their taxes

Those who do not take the standard deduction but choose to itemize on Schedule A of their tax return were formerly limited to deducting 60% of their adjusted gross income (AGI) for charitable cash contributions. The CARES Act raises the 60% of AGI limit for cash contributions made in 2020 to 100% of AGI. That means itemizers can deduct more of their charitable cash contributions this year, which will hopefully boost charitable giving. As with the new above-the-line deduction, donations to donor advised funds and supporting organizations are not included in the ruling.

Benefits to corporations that make charitable gifts

Corporations may deduct up to 25% of their taxable income in 2020 for cash contributions, up from the previous limit of 10%. In addition, corporate deductions for donations of food inventory, which formerly could not exceed 15% of the corporation’s income, has been increased to 25%.

Changes in Required Minimum Distributions

Donors aged 72 or older in 2020 who have retirement accounts like IRAs may still make qualified charitable distributions directly from their IRAs in 2020 (and avoid paying income tax on those distributions), although required minimum distributions have been waived until 2021.

Additional resources can be found here:
https://home.treasury.gov/policy-issues/cares