

New Tax Incentives for Donors in 2020

The CARES Act (Stimulus Response to COVID-19) provides new tax benefits for donors in 2020.

Incentive for Individual Donors for 2020: Charitable deductions for **cash** gifts may offset up to 100% of the donor's Federal income tax. This deduction limitation for cash gifts is normally 60% of adjusted gross income (AGI).

	Previously	Change for 2020 Only
Maximum deduction for cash gift(s) per an individual taxpayer's AGI.	60% of AGI Charitable Deduction	100% of AGI Charitable Deduction
Tax benefit example: If an individual's taxable income (AGI) is \$100K and you donated \$100K.	\$60,000 Charitable Deduction	\$100,000 Charitable Deduction, which means zero Federal income tax.

What if a donor donates more cash than donor's AGI in 2020? The amount of the deduction in excess of AGI cannot be used in 2020, but it can be carried forward to offset income in a future year, for up to 5 subsequent years. However, the full 100% deduction rule is only available in 2020.

Changes for IRA Gifts for 2020: The CARES Act does not directly affect IRA Charitable Rollover Gifts, but it does open opportunities for IRA gifts depending on the donor's age.

- Donors age 59 ½ to 70 ½: These donors can now use their IRAs to make gifts in 2020 and potentially not pay taxes, due to the 100% deductibility.
- Donors age 70½ years and older: These donors can still make IRA Charitable Rollover Gifts up to \$100K directly to USC, without taking the distribution into taxable income. Also, these individuals can now withdraw and donate more than \$100K from their IRA in 2020, and potentially not pay taxes on the withdrawal.

Note: These incentives do not apply to gifts to private foundations or to donor advised funds (DAFs). Gifts made under the Charitable IRA Rollover program can still be made to private foundations and DAFs.

Other CARES Act Tax Law Changes for 2020:

- IRA Required Minimum Distributions (RMDs) for 2020 only have been waived.
- Federal tax return and payment of taxes has been extended from April 15, 2020 to July 15, 2020.
- Individuals can claim a charitable deduction up to \$300 in 2020 even if they do not itemize their deductions. This allows donors to take advantage of recently increased standard deductions and get tax benefits for smaller charitable gifts.

Incentive for Corporate Donors for 2020: The CARES Act raises the annual cash gift limit for Corporations to 25% of taxable income, which is up from 10%.