

How the CARES Act Impacts Charitable Giving for 2020

CARES Act for Nonprofits – Congress passed and the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020, a \$2 trillion economic stimulus package legislated provides immediate relief for nonprofits. It is the first time Congress has passed this type of giving incentive in response to disaster or national emergency. The CARES Act includes new charitable donation deductions for all taxpayers, both those taxpayers who itemize and those claiming the standard deduction, on qualified donations during tax year 2020 given to a public charity, like the Tiger Athletic Foundation.

How does the Act effect taxpayers who take the standard deduction?

The bill makes a new deduction available for up to \$300 per taxpayer in annual charitable contributions. This is particularly beneficial to donors who take the standard deduction when filing their taxes (in other words for taxpayers who do not itemize their deductions). It is calculated by subtracting the amount of the donation from your gross income. It is an “above the line” adjustment to income that will reduce your AGI, and thereby reduce taxable income.

To qualify, you would have to give a donation to a qualified charity. If you have already made your donation since Jan. 1, that contribution counts toward the \$300 cap. A donation to a non-operating private foundation, donor-advised fund (DAF) or a supporting organization does not qualify for this new deduction.

How does the Act effect taxpayers who itemize?

Individuals who itemize and corporations can deduct much greater amounts of their cash contributions to qualified charities in 2020. Individuals who itemize can elect to deduct cash contributions, up to 100% of their 2020 adjusted gross income. This is up from the previous limit of 60% for cash contributions. Corporations may deduct cash contributions up to 25% of taxable income, up from the previous limit of 10%.

The new deduction is only for cash gifts that go to a public charity, like the Tiger Athletic Foundation. If you give cash to a non-operating private foundation, DAF or supporting organization, the old limitations still apply. If your assets are substantial enough that you can give more than your adjusted gross income this year, you won’t lose the deduction for the excess amount. You can use it the next year subject to the old adjusted gross income limitations, as has always been the case.

This is intended for informational purposes only. Please consult your tax preparer for more information.