

CARES Act: Charitable Contribution Modifications for Tax Year 2020

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INTRODUCTION

In addition to stimulus payments to taxpayers, expanded unemployment benefits for workers, and tax relief and loans for businesses, the CARES Act provides tax relief for individual taxpayers, including expansion of tax benefits for charitable giving.

INDIVIDUALS WHO DO NOT ITEMIZE

Individuals who do not itemize deductions are able to make an above-the-line deduction of up to \$300 for qualified charitable contributions. A qualified charitable contribution is one (i) that is made in cash, (ii) for which a charitable contribution deduction is otherwise allowed, and (iii) that is made to allowable publicly-supported charities.

This deduction is not available for contributions to a non-operating private foundation or for the establishment of donor-advised funds.

INDIVIDUALS WHO ITEMIZE AND CORPORATIONS

Under current law, individuals who make qualifying cash contributions are limited to a charitable contribution deduction of up to 60 percent of their adjusted gross income ("AGI"). The CARES Act eliminates the AGI limitation for the tax year 2020. Instead, the CARES Act permits individual taxpayers to take a charitable contribution deduction for qualifying cash contributions made in 2020 to the extent such contributions do not exceed the excess of the individuals' contribution base over the amount of all other charitable contributions allowed as a deduction for tax year 2020. Effectively, individual taxpayers may now receive a charitable contribution deduction for up to 100 percent of the taxpayers' AGI. Taxpayers are still allowed to carry forward any contributions in excess of the charitable contribution deduction in each of the succeeding five years.

For a corporation, the CARES Act increases the deduction limitation for qualifying cash contributions from 10 percent to 25 percent of the corporation's taxable income. The CARES Act also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

Individuals who itemize and corporations must make an affirmative election on their 2020 income tax return in order to take advantage of the change. Business owners in a partnership and S-Corporation shareholders must make the election individually.

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If you have questions about the CARES Act, please contact your Lawrence Kamin attorney.

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