

New Charitable Giving Tax Rules

Overview — The CARES Act

During this unusual time at Saint Cecilia, we have taken measures to eliminate all discretionary expenditures, whenever possible. But, despite these efforts, we still depend on you for support. In recognition of the impact of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed to provide needed support to nonprofit organizations and to encourage charitable giving.

Here is a brief overview of some important and beneficial features of this legislation, specifically as it relates to individual charitable giving.

\$300 Cash Contribution Deduction

*There is a new charitable deduction for taxpayers who do **not** itemize.* Beginning in 2020, individuals can deduct \$300 in charitable contributions from their gross income even if they do not itemize their deductions. Donations must be monetary (via cash, checks, credit/debit cards) and given directly to the charity. Gifts of appreciated securities, and gifts to a donor advised fund or supporting organization, do not qualify. In plain English, if you donate up to \$300 in cash to Saint Cecilia, your adjusted gross income (AGI) will be reduced by up to \$300—and you can still claim the standard deduction.

100% Deduction for 2020

*There is no cap on charitable deductions for taxpayers who **do** itemize.* Donors who itemize their deductions (including couples filing a joint return) can usually deduct cash contributions up to 60% of their adjusted gross income (AGI). For 2020, donors making monetary contributions (via cash, checks, credit/debit cards) directly to a charity may deduct up to 100% of their AGI. Gifts of appreciated securities, and gifts to a donor advised fund or supporting organization, do not qualify. So, (hypothetically) you could donate your entire year's income to Saint Cecilia and walk away with no taxes owed.

IRA Required Minimum Distributions

There are no required minimum distributions, but qualified charitable distributions are still possible. The CARES Act eliminates required minimum distributions (RMDs) from many retirement plans in 2020. Some donors have been using their RMDs for tax-advantaged charitable gifts by making a qualified charitable distribution (QCD) directly to a charity. Under the CARES Act it is still possible for donors who are 70½ (if you reach 70½ before January 1, 2020) or older to contribute up to \$100,000 directly to a charity without paying tax on the distribution.

How Does the New Deduction Help Provide COVID-19 Relief?

Providing tax benefits for those who claim the standard deduction means that any taxpayer, regardless of whether they itemize, can now receive a tax break for their generosity. This is a big deal, especially when you consider that very many taxpayers do not qualify for itemized deductions. This is an incentive to give in 2020 and have less in taxes owed when you file in 2021.

Relief efforts like the new charitable deduction provided by the CARES Act are just a small part of a larger whole—millions of people coming together virtually to support one another. The COVID-19 pandemic is a tragic, unforeseen event, but we have faith that we will rise above it. Thank you for considering how a gift to Saint Cecilia will help us advance our mission and continue our work in these difficult times.