

Insights

COVID-19 UPDATE – HOW THE CARES ACT AFFECTS TAX BENEFITS RELATED TO CHARITABLE GIVING

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On Friday, March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (“**CARES Act**” or “**Act**”). The Act was one of several Congressional responses to the COVID-19 emergency and it covered many areas, including the tax benefits related to charitable giving.

Generally, there are limitations on deductions for charitable contributions for both individual and corporate taxpayers based on the taxpayer’s adjusted gross income (“**AGI**”), in the case of individuals, and taxable income, in the case of corporations. The CARES Act increases the limit on individual taxpayers’ deductions for cash contributions to public charities from 60% of the individual’s AGI to 100% of the individual’s AGI. This increase effectively suspends the limit for individuals in 2020. For corporate taxpayers, the CARES Act increased the income limits on the deduction for charitable cash contributions from 10% of the corporation’s taxable income to 25% of the corporation’s taxable income. These changes allow taxpayers to take a larger deduction for charitable contributions than would normally be available. However, it is important to note that both of these increased limits under the CARES Act only relate to cash contributions as opposed to donations of stock, real estate, or any other non-cash items. Additionally, the increased limits for individual and corporate taxpayers are limited to contributions made to public charities, and are therefore not applicable to contributions to private foundations (other than private operating foundations) or donor-advised funds.

Separately, the CARES Act also increased the limit on deductions with respect to the charitable contribution of food in 2020 from a taxpayer’s trade or business from 15% to 25% of the taxpayer’s taxable income.

Along with the changes to the income limits for the charitable contribution deductions, the CARES Act also gives benefits to taxpayers who choose not to itemize their deductions. Generally, taxpayers who claim the standard deduction do not get a tax benefit related to any charitable contributions they make during the tax year. However, the CARES Act changes this by allowing taxpayers who do not itemize their deductions to deduct up to \$300 of cash contributions to public charities with an above-the-line deduction in tax years beginning in 2020. Unlike the other charitable

contribution provisions of the CARES Act, this provision is not limited to just 2020, and applies to all years going forward.

We are happy to answer any questions taxpayers may have regarding tax benefits related to charitable giving under the CARES Act or explore other tax issues they may have during this period.

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MEET THE TEAM



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