INCENTIVES FOR CHARITABLE GIVING

The recently enacted “Coronavirus Aid, Relief, and Economic Security Act,” known as the “CARES Act,” addresses many topics, including some provisions of special interest to nonprofit donors.

1. Creates a universal charitable deduction. Typically, taxpayers may only claim a Federal charitable contribution deduction if they itemize their deductions. Because the 2017 Tax Cuts and Jobs Act significantly increased the standard deduction, most taxpayers do not itemize.

   Section 2204 of the CARES Act allows taxpayers who do not itemize to claim a deduction of up to $300 for contributions of cash (and not other property) made to charities. The contributions cannot be to a type of tax-exempt organization known as “supporting organizations” or used to establish or maintain a donor advised fund.

2. Temporarily lifts limits on the deduction of large cash gifts. Typically, an individual taxpayer may only offset 60% of the taxpayer’s adjusted gross income by making charitable contributions of cash to a public charity. The CARES Act suspends that limit for cash contributions made during 2020.

3. Similarly, for corporate donors, the CARES Act increases the limit on the proportion of a corporation’s taxable income that can be offset with charitable contributions from 10 to 25 percent. Again, these special rules do not apply to contributions to supporting organizations or donor advised funds.

Hospitality House
Northwest North Carolina
Helping Rebuild Lives