

Thank you members and donors for supporting our mission.

Your charitable donation may be tax deductible thereby reducing the amount of your taxable income. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law on March 27, 2020 has key provisions related to charitable giving that are only in effect for the 2020 tax year. Here's how:

New Gifting Opportunity for Non-Itemizers

For 2020 – taxpayers who do not itemize deductions may take a charitable deduction of up to \$300 for cash contributions made to qualifying charitable organizations. To simplify, the CARES Act allows individual taxpayers to deduct cash donations to charity up to \$300 on his/her federal tax return even though he/she may take the standard deduction and married-filing-jointly taxpayers may take an above-the-line deduction of up to \$600.

- Please note that this deduction applies only to qualified cash contributions and does not apply to cash contributions made to donor advised funds or supporting organizations, and does not apply to carry-over contributions. In addition, contributions of any kind of property, including marketable securities, real assets or otherwise, do not qualify.

"Unlimited" Deduction for Cash Gifts

In 2020, donors who are able to itemize his/her deductions and write-off cash charitable gifts to 501 (c) 3 public charities, the deduction cap was raised from 60% to 100% for individuals and joint filers after taking into account other contributions subject to charitable contribution limitations. Also, individual taxpayers can continue to carry forward any excess charitable contributions for five years.

- Please note that the unlimited deduction does not apply to contributions made to donor advised funds or supporting organizations and the deductibility of charitable gifts to 501 (c) 3 private foundations is capped at 30% and was not included in the CARES Act legislation. In addition, contributions of any kind of property, including marketable securities, real assets or otherwise, do not qualify.

Yes – these are truly remarkable changes to the tax treatment of charitable giving. Theoretically for individuals, this could mean a zero taxable income if someone gives in a BIG way.

For example, if taxpayer Jane has an AGI of \$200,000. She would normally be able to deduct up to \$120,000 for gifts to a qualified charitable organization. In 2020, with the temporary changes in the CARES Act, Jane can deduct up to her full AGI of \$200,000 if she gives that much to charity in 2020.

Increased Giving Opportunity for Corporations

For corporations, the deduction cap was raised from 10% of taxable income to 25% in 2020. Please refer to the example and exclusions above since they are the same for corporations as well.

Relief from the Minimum Distribution Requirement

In 2020 only, the required minimum distributions (RMDs) are waived for IRAs, including inherited IRAs, and other qualified retirement plans such as 401(k) and 403(b) plans.

- Please note that beginning in 2021, The SECURE Act signed into law in December 2019 increased the RMD age from 70½ to 72.

IRA Qualified Charitable Distributions “QCDs” Can Still Be Made

The CARES Act did not change the rules around the QCD. The minimum age for making a qualified charitable distribution (QCD) from your IRA is still 70½, and the annual limit is still \$100,000. The QCD is still available for 2020 even though RMDs have been suspended.

Under the CARES Act, an individual can elect to deduct 100 percent of his/her AGI for cash charitable contributions. This effectively affords individuals over 59½ years old the benefits similar to a QCD; they can take a cash distribution from his/her IRA, contribute the cash to charity, and may completely offset tax attributable to the distribution by taking a charitable deduction in an amount up to 100 percent of his/her AGI for the tax year. This may be a wise strategy if you are planning a significant donation in 2020 and are between the ages of 59½ and 70½ and are not dependent on existing retirement funds.

For more information about how the CARES Act may impact your specific financial situation, please consult with your tax, legal, or financial advisors. To connect directly with a volunteer of Project Liberty Ship, Inc., please e-mail us at john.w.brown@usa.net.