

Generosity Opportunities Under the CARES Act Stimulus Bill

\$300 above-the-line charitable deduction

Every taxpayer – whether you itemize or not – can take a deduction for up to \$300 in cash gifts made when you file your taxes for 2020.

- Gifts must be made in cash
- Gifts must be to a public charity (not a private foundation or donor advised fund)
- Gifts must be made in 2020
- Charitable deduction is in addition to the standard deduction

Percentage limitation for cash gifts by itemizers lifted

Individuals who itemize when filing their 2020 tax return can deduct up to 100% of the adjusted gross income. This is a significant increase from 60% of adjusted gross income (AGI) deduction limitation in 2019. In addition, excess contributions can be carried forward for up to five years (subject to the prior 60% AGI limit).

- Gifts must be made in cash
- Gifts must be made to a public charity (not a private foundation or donor advised fund)
- The increased deduction must be elected on the tax return

Note: You will want to consult your own advisor for the most accurate, up-to-date information. Noncash contributions may affect the use of this deduction for cash gifts.

Limitations on gifts to charity from Qualified Retirement Plans suspended

Due to the unlimited charitable deduction allowed for cash gifts to charity this year, if you have qualified retirement assets in excess of anticipated future needs, you may request your IRA manager sell assets and distribute the proceeds to you in cash. You can then donate the cash to charity, receiving an offsetting income tax deduction for the full amount.

Recovery “Rebates” of \$1,200 per individual

US Residents with adjusted gross income of up to \$75,000 (individual) and \$150,000 (joint filers) are eligible to receive the full \$1,200 (individual) or \$2,400 (joint filers) rebate. In addition, families with minor children are eligible to receive an additional \$500 per child. There are phase-outs above the maximum and no payments to individuals above \$98,000 or joint filers above \$198,000.

Special Use of Retirement Funds

Those not yet able to take penalty-free withdrawals (generally those who have not reached 59.5 years of age) from their qualified retirement plans, may do so during 2020. This does not mean the withdrawal is not taxable, it is – but the tax is payable over three years (instead of all in the year of withdrawal). In addition, the funds can be recontributed within the three years without regard to the normal yearly maximum contribution amounts.

If the retirement account is a 401(k) and allows for loans, then individuals can take a loan of up to \$100,000 and repay it over 6 years at relatively low interest.

IT IS IMPORTANT TO NOTE that there are restrictions on eligibility, and withdrawing from pre-tax retirement funds is generally considered to be “the last place” one should go for money. If you are severely impacted by the COVID-19 crisis, please contact your fund administrator to get the full details about these opportunities.

Required Minimum Distribution Suspended for 2020

If you have an Individual Retirement Account and are taking Required Minimum Distributions (RMDs), the CARES Act suspends that requirement for 2020. In other words, if you do not need the income from your IRA for your living expenses you **ARE NOT REQUIRED** to take the minimum distribution in 2020.

With recent losses in the stock market, it may be beneficial for you to allow the assets to remain in your IRA until the market improves.

Corporate cash contribution limitation increased

If you have a business and make charitable gifts of cash from your corporation, in 2020 the deduction limitation for these gifts has been increased from 10% to 25% of taxable income.

As with all financial decisions, you should consult your financial advisors for specific application of these opportunities to your personal situation. However, if you have questions or want to learn about creative giving opportunities, we would love to have a conversation. You can reach us at 855.266.4774.

Summary

As you know with all financial decisions, you should consult your own financial advisors. However, if you have questions or want to learn about some of the creative giving opportunities, and other possible benefits of the CARES Act for you, we would love to have a conversation. Call us and we will look forward to hearing how you are faring during this time and discussing the charitable benefits of the CARES Act with you.

CDF Capital Foundation Toll-free: 855-266-4774

