

CARES Act - Charitable Planning Strategy

The \$2 trillion relief package known as the CARES Act will have significant economic and financial planning implications for individuals and businesses alike. We've summarized below how the bill may allow you to make an even bigger philanthropic impact during these difficult times.

1. **New Charitable Deduction:** For those who **do not** itemize deductions, there will be an allowable "above the line" deduction for charitable donations of **cash**, not to exceed \$300¹.
2. **New Charitable Contribution Limits for Cash Donations:** The 2020 charitable contribution limitation for individuals will now be 100% of adjusted-gross-income, or "AGI," if you donate **cash** directly to a charity¹. Cash donations were previously limited to 60% of AGI. Any deduction for charitable contributions above this income limitation (100% of AGI for cash and 30% of AGI for stock gifts) carries over for five years.

Planning Opportunity: Do you want to reduce your income taxes this year? Estimate your taxable income for the year and consider giving a larger amount to charity than normal. Whether you have a one-time income event in 2020 or have more income than you need, this temporary law change presents an opportunity to make a significant impact on your community while reducing your taxes. This strategy can also be combined with other financial planning strategies, such as Roth IRA conversions.

3. **Qualified Charitable Distributions (QCDs):** QCDs from IRA accounts continue to be allowed starting at age 70-½ up to a limit of \$100,000 per year per IRA owner. QCDs can be made in 2020 even with the waiver of Required Minimum Distributions (RMDs).

Planning Opportunity: Consider giving what would have been your IRA RMD for the year to your favorite charities in the form of QCDs. Those with higher charitable intent could take it a step further in 2020, potentially giving greater than \$100K from their IRA directly to charity. This strategy would create taxable income for the contribution amount above \$100K, but also create an itemized deduction for the excess contribution, which is limited to 100% of AGI in 2020 (as discussed in section 2 above)².

This material is presented for informational purposes only and should not be construed as individual legal, tax, or financial advice. Individuals and businesses should always consult with their own legal, tax, and financial advisors.

¹ Contributions to donor advised funds and Section 509(a)(3) supporting organizations are not eligible.

² Due to each state's conformity measures, this could create unexpected adverse state income tax consequences. Consult your CPA about your individual situation.