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CARES ACT Provides Deduction Opportunities

These are difficult times. Like many not-for-profit agencies, we find ourselves in uncharted waters. We are navigating the provision of service while working to protect the health and safety of our staff and consumers at a time when our services are especially vital. Now more than ever, charitable donations are important to our work. We want to make sure our supporters are aware of a few key provisions of the CARES (Coronavirus Aid, Relief, and Economic Security) Act and how they can impact your charitable giving.

1. Above-the-line universal charitable deduction.

The CARES Act provides for a universal, **above-the-line**, deduction of up to \$300 cash made by **any** taxpayer – whether they itemize or not, reducing taxable income for 2020. You may recall the Tax Reform Act of 2017 significantly reduced the incentive to itemize deductions. **This year is different.** This year **any** taxpayer can take this \$300 deduction. There are a few criteria:

- ◆ Gifts must be made in cash.
- ◆ Gifts must be made to a public charity, not to a supporting organization, private foundation or donor advised fund.
- ◆ Gifts must be made in 2020 (or after; this is not currently limited to just this year), and cannot be carried over from excess contributions made in a prior year.

Gifts made are eligible for the above-the line deduction **in addition** to the standard deduction.

2. Cash contribution caps lifted.

For those who do itemize their deductions, the new law **allows for cash contributions to qualified charities to be deducted up to 100%** of your adjusted gross income (AGI) for the 2020 calendar year. For corporations, the new law raises the annual limit from 10% to 25% of taxable income. Again, there are a few conditions:

- ◆ Gifts must be made in cash to qualify for the 100% of AGI deductibility.
- ◆ The increased deduction is not automatic; it must be elected.

3. Required minimum distributions from qualified retirement plans, including IRAs, suspended.

The new law temporarily suspends the requirements for required minimum distributions (RMD) for the 2020 tax year. This could be a relief to those who may need to withdraw a greater percentage of their retirement accounts. However, many people use their RMD to make a charitable gift from their IRA. If you are 70½ or older, you can make a gift from your IRA and there will **no longer be a \$100,000 limit on the amount you're allowed to transfer to charity.** In addition, there are some new ways you can receive financial benefits and help the not-for-profit organizations you care about. Due to the unlimited charitable deduction allowed for cash gifts this year – donors can ask IRA holders to sell assets and distribute the proceeds to them in cash. They can then donate the cash and gain an offsetting income tax deduction for the full amount. This may be the only year donors are able to do this. Up until now, donors had to wait until their death to transfer IRA assets in excess of the \$100,000 allowable annually and those assets could be assessed both income and estate taxes.

*Please don't hesitate to contact us to discuss how your gift can help
Phoenix Community Development Services touch, and change, so many lives.*

As always, consult your own professional legal or financial advisors to determine how these opportunities may contribute to your personal tax planning and philanthropic goals.