

CARES Act Charitable Giving Incentives

April 7, 2020



CARES ACT CHARITABLE GIVING INCENTIVES

Most Episcopal organizations rely on generous donors to support their mission and ministry. Stewardship can be deeply spiritual, rooted in a desire to reorient our lives towards God, but it also has a practical side. The Coronavirus Aid, Relief and Economic Security Act, or CARES Act, signed into law on March 27, 2020, includes several provisions that may affect charitable giving this year. We encourage churches to talk about these opportunities with their congregations.

New charitable deduction for taxpayers who do not itemize. Beginning in 2020, individuals can deduct \$300 in charitable contributions from their gross income even if they do not itemize their deductions. Donations must be made in cash to a charity. Gifts of appreciated securities, and gifts to a donor advised fund or supporting organization, do not qualify. Although the permissible amount is modest, it is a new benefit available to many of your donors.

Opportunity: Let the entire congregation know that donors can get a tax deduction even if they do not itemize and that this is intended to encourage contributions at a time of great need. Talk online or by email about what your church is doing directly to help others. Encourage special gifts for these efforts.

No cap on charitable deductions for taxpayers who do itemize. Donors who itemize their deductions can usually deduct cash contributions up to 60% of their adjusted gross income. For 2020, that cap is lifted, and donors contributing cash to charity may deduct up to 100% of their income, a significant tax savings for anyone able to contribute larger amounts. Again, this is only for gifts of cash, and only for gifts made directly to charity (not to donor-advised funds or supporting organizations).

Opportunity: Let your larger donors know that they may be able to offset significant amounts of income if they are able to make cash gifts this year. This may be useful for donors with unusual income in 2020.

No required minimum distributions, but qualified charitable distributions still possible. The CARES Act eliminates required minimum distributions (RMDs) from many retirement plans in 2020. Some donors have been using their RMDs for tax-advantaged charitable gifts by making a qualified charitable distribution (QCD) directly to charity. Under the CARES Act it is still possible for donors who are 70½ or over to contribute up to \$100,000 directly to a charity without paying tax on the distribution. This remains a beneficial way for donors to make gifts to your church.

Opportunity: Let your older donors know that they may still make a tax-advantaged qualified charitable distribution from an IRA this year. This might be useful for donors who have cash set aside in an IRA for an RMD that is no longer required.

The CARES Act is a complex new law. This memo is intended only as a summary of provisions that may be important for church stewardship efforts. Donors should always consult with their own professional advisors before making a gift.