

Charitable Giving Incentives for 2020



The CARES Act makes several changes to incentivize giving to nonprofits for the tax year 2020. These changes are as follows:

1. Increased Deduction for Individual Cash Donations: Up to 100% of AGI

- a. Normally, the deduction a taxpayer can claim for a charitable contribution is limited to 60%. However, in 2020 the limitation has been suspended, and has increased to 100%, meaning any individual filing an *itemized* return may donate the full amount of their AGI, leaving taxable income at 0. Example below:

	2020	Normal Year
Adjusted Gross Income	100,000	100,000
Charitable Contribution	100,000	100,000
Limitation on Deduction	None	60%
Charitable Deduction	100,000	60,000
Taxable Income	0	40,000
Tax Bracket (assumption)	35%	35%
Income Tax Due	0	14,000

2. Increased Deduction for Corporate Donations: Up to 25%

- a. Much like the individual increase in percentage of the tax deduction for 2020, there has also been an increase in the percentage corporations can deduct for charitable contributions. This increase went from 10% to 25%

3. \$300 "Universal Deduction" for any Charitable Contribution: Non-itemized tax returns

- a. This incentive adds a universal deduction of up to \$300 for taxpayers who do not itemize (i.e. those who take a standard deduction). This new deduction is an above the line adjustment to income that will reduce your AGI and taxable income. It is important to note any donation above the \$300 limit (one-time donations, or combined) will not qualify under this deduction incentive, and only applies only to cash gifts given in the year 2020.

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