The President signed the Coronavirus Aid, Relief, and Economic Security Act, the “CARES Act” (hereinafter, “the Act”), on March 27, 2020. The Act contains a few provisions that may have an effect on charitable giving.

FOR INDIVIDUALS
The Act adds an above-the-line charitable deduction. Beginning in 2020, taxpayers who do not itemize their deductions can claim up to $300 in charitable income tax deductions for cash gifts, and only cash gifts, made to public charities like the University of Washington.

This will allow many taxpayers to claim charitable deductions who were previously unable to do so due to the increase in the standard deduction in 2017. The Act permits an above-the-line deduction for an outright gift or for funding a charitable gift annuity. The above-the-line deduction is not available for the creation of or additions to donor advised funds, private foundations, charitable remainder trusts (CRTs), charitable lead trusts (CLTs), or pooled income funds (PIFs). Unlike the other charitable provisions in the Act, this above-the-line deduction is permanent and will not expire after 2020 unless additional legislation so requires.

For tax year 2020 only, the Act removes the adjusted gross income (AGI) limitation for gifts of cash by individuals. Now a taxpayer may claim a charitable income tax deduction up to 100% of AGI for cash gifts, but not other types of assets, made to public charities. The benefit does not extend to gifts made to donor advised funds, private foundations, or split interest trusts like CRTs, PIFs, and CLTs. Previously, the taxpayer would have had to limit the deduction to 60% of AGI for cash gifts. Donors who make large outright cash gifts to public charities stand to benefit greatly from this enhancement but, as mentioned, the benefit is only available in 2020.

The Act temporarily waives required minimum distributions (RMDs) from retirement plans like IRAs and Section 401(k), 403(a) and (b), and 457(b) qualified plans. The waiver of RMDs only applies to these types of plans and only for tax year 2020. A donor's ability to make qualified charitable distributions (direct gifts from IRAs by donors who are 70 ½) is still allowed.

FOR CORPORATIONS
The Act also offers enhanced charitable deductions to corporations. Previously, a corporation could take a deduction of up to 10% of its taxable income for the year for gifts made to public charities. The Act increases the cap to 25% of taxable income. Similarly, the cap on deductions for gifts of food inventory are increased from 15% of the C corporation's taxable income to 25%. Like the individual benefits, the enhanced corporate benefits expire after 2020.