The Consolidated Appropriations Act (CAA), signed into law in December 2020, extends certain provisions of the expired CARES Act for 2021 that may be of interest to charitable donors.

FOR INDIVIDUALS

Taxpayers who do not itemize continue to receive tax benefits for giving: During 2021, taxpayers who claim the standard deduction can reduce their taxable income for gifts of cash, up to $300 for single filers or $600 for married couples filing jointly, to a public charity such as the University of Washington.

Adjusted Gross Income limit increase extended: The CAA also provides benefits for taxpayers who itemize. In 2021, taxpayers who itemize can qualify for a charitable income tax deduction up to 100% of their adjusted gross income (AGI) for cash gifts to a public charity like the University of Washington (up from the previous 60% AGI limitation). This deduction is not available for gifts that establish or are added to donor advised funds, private foundations, charitable remainder trusts, charitable lead trusts, or pooled income funds.

Required minimum distributions are back: The waiver of required minimum distributions (RMD) from Individual Retirement Accounts (IRAs) for the 2020 tax year was not extended by the CAA. In 2021, owners of IRAs, 401(k)s and other defined contribution retirement plans who are 72 or older will once again have to withdraw a required minimum amount from their plan.

FOR CORPORATIONS

The CAA also encourages giving from corporations: The taxable income limit that applies to cash contributions made by corporations to a public charity, such as the University of Washington, is increased from 10 percent to 25 percent in 2021.

Please consult your financial advisor to determine the most beneficial way for you to make a gift in 2021.