

# Charitable Opportunities Arising Out of the CARES Act

April 9, 2020

The CARES Act tax changes go into effect beginning in the 2020 tax year.  
The following are some of the highlights with regards to charitable giving.

## 1. Corporate charitable giving opportunities under the CARES Act

For corporations, the CARES Act has increased the cap on deductibility of donations from 10% to 25% on gross income of the corporation. For food donations, the corporate cap has also been increased from 15% to 25%. This allows corporations to make an even bigger impact through their charitable giving, and a corporate gift during this time of need will help us maintain and grow our programs.

*The old deduction rules apply to gifts to private foundations. The higher deduction does not apply to donations directly to a Donor Advised Fund (DAF).*

Possible Strategies: Directly market (Local Cause Toolkit) to all past and current local corporate sponsors letting them know about this opportunity available this year only under the CARES Act. Keep in mind, many are calling for a V-shaped recovery in the later part of the year. You may approach certain businesses now that have not been negatively impacted in this environment and reach out to other businesses later in the year if they have bounced back financially once everyone is back to work. Also, consider reaching out to CPAs and bookkeepers in your communities and educate them concerning the CARES Act. They may advise their business clients to increase their giving if it's tax-advantageous for them.

## 2. Retirees and the CARES Act

The new law impacts some owners of Individual Retirement Accounts (IRAs) by providing a temporary waiver of Required Minimum Distributions (RMDs). This waiver will allow IRA owners age 72 or older to keep funds in their IRAs and other qualified retirement plans. For individuals who had to take an RMD for tax year 2019 before the April 2020 deadline, that requirement has been waived for 2020.

For some, keeping the funds in their IRAs until the market rebounds might be the best option. For others, continuing to make tax-free charitable gifts directly from their IRAs may be preferable.

Possible Strategies: Many retirees on Social Security are eligible to receive their \$1,200 stimulus checks. Many retirees, while glad to receive the check, may not need the additional income and may, if asked, support Boys & Girls Clubs with these funds. This gift could count as an above the line donation if they take the standard deduction and reduce their tax burden up to the allowable limits per the CARES Act. And finally, those concerned with the swings in the stock market may desire a steady stream of income and may like to consider charitable gift annuities (CGA) that offer fixed and guaranteed income.

## 3. Opportunities for Individual Tax-Payers

### A. Itemizers: (Estimated to be 10% of all tax-filers)

The CARES Act expands the limit on charitable contributions for individual/joint itemizers—increasing the amount that can be deducted from 60% of adjusted gross income to 100% of gross income. This means

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itemizers can deduct more of their charitable cash contributions this year, which will hopefully boost charitable giving. Any excess can be carried forward for five (5) years.

**Possible Strategy:** If you have conducted a wealth screen, reach out to all higher net worth supporters to explain this aspect of the CARES Act as not everyone will be as negatively impacted as others during this time. Keep in mind, many are calling for a V-shaped recovery in the later part of this year (meaning their fortunes could recover); reminding your higher net worth supporters in November and December again about this opportunity may bring about a strong finish to the year for the Club.

## B. Non-Itemizers: (Estimated to be 90% of all tax-filers)

The CARES Act allows for a \$300 above-the-line deduction for cash charitable contributions made to Boys & Girls Clubs for individual taxpayers who take the standard deduction or \$600 for joint filers. The standard deduction for single filers is \$12,400 and \$24,800 for joint filers. The adjustment to income reduces the donor's adjusted gross income (AGI), and thereby reduces their taxable income (see table below). This charitable deduction may encourage those who do not itemize to continue their charitable giving in 2020.

The table below demonstrates the positive tax savings impact for those taking the standard deduction (non-itemizers) under the CARES Act for both single/joint filers making a gift(s) to a Boys & Girls Club.

Gift/Gifts	Tax Rate	Tax Savings	Net Cost to donor/donors
300/600	10%	30/60	270/540
300/600	12%	36/72	264/528
300/600	22%	66/132	234/468
300/600	24%	72/144	228/456
300/600	32%	96/192	204/408
300/600	35%	105/210	195/390
300/600	37%	111/222	189/378

**Possible Strategy:** Its estimated 90% of households will be receiving stimulus checks as part of the CARES Act. If a household in the 22% tax bracket takes the standard deduction and makes a \$600 gift to a Boys & Girls Club, they will save \$132 in taxes. So the math would look like this:  $\$1,200 \times 2 = \$2,400$  combined stimulus checks minus \$600 gift to BGCA = \$1,800 plus Cares Act tax savings + \$132 = \$1,932 net to family and \$600 for the Club. This is known money coming to nearly all of our supporters over the next two months, so consider making an ask.

*Both of these provisions for those taking the standard deduction and/or itemizers explicitly exclude enhanced deductions for contributions to 509(a)(3) charitable organizations (commonly known as sponsoring organizations) or Donor Advised Funds (DAFs).*

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