Friday, March 27, 2020, the Congress passed and the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2 trillion economic stimulus package legislated to provide immediate relief for nonprofits like Special Olympics Kansas.

Details About CARES Act
The inclusion of an expanded charitable giving incentive is a critical acknowledgement by Congress that the work of nonprofits like Special Olympics Kansas are essential services. Now more than ever individuals with intellectual disabilities are facing isolation and exclusion and need the support Special Olympics Kansas provides. It is the first time Congress has passed this type of giving incentive in response to disaster or national emergency.

Here's How it Works

**New Deduction Available:** The bill makes a new deduction available for up to $300 per taxpayer ($600 for a married couple) in annual charitable contributions. This is particularly beneficial to people who take the standard deduction when filing their taxes (in other words for taxpayers who do not itemize their deductions). It is calculated by subtracting the amount of the donation from your gross income. It is an “above the line” adjustment to income that will reduce your AGI, and thereby reduce taxable income.

To qualify, you would have to give a donation to a qualified charity. like Special Olympics Kansas. If you have already made your donation since Jan. 1, that contribution counts toward the $300 cap. A donation to a donor-advised fund (DAF) does not qualify for this new deduction.

**New Charitable Deduction Limits:** Also part of the bill, individuals and corporations that itemize can deduct much greater amounts of their contributions. Individuals can elect to deduct cash contributions, up to 100% of their 2020 adjusted gross income, on itemized 2020 tax returns. This is up from the previous limit of 60%. Corporations may deduct up to 25% of taxable income, up from the previous limit of 10%.

The new deduction is only for cash gifts that go to a public charity. If you give cash to, say, your private foundation, the old deduction rules apply. And while the organizations that manage DAF’s are public charities, you do not get the higher deduction for donating cash to your DAF. These new limits do not apply to gifts of appreciated stock. If your assets are substantial enough that you can give more than your income this year, you won't lose the deduction for the excess amount. You can use it next year, as has always been the case.

**Required minimum distributions waived in 2020 for most donors:** RMD for individuals over age 70 1/2 are suspended until 2021. This includes distributions from defined benefit pension plans and 457 plans. The RMD is an attractive way for donors to make a significant charitable gift directly from their IRA to a charity through a qualified charitable contribution (QCD) while avoiding taxable income. The suspension of the RMD may dampen somewhat the incentive for a donor who makes a gift from their IRA to count toward that minimum. However, the tax benefit of the QCD remains.

The takeaway - donors directing a qualified charitable contribution to charity this year (up to $100,000 per individual) will still reduce their taxable IRA balance. This allows all taxpayers, itemizers and non-itemizers alike, to direct gifts from their IRA to charities in a tax efficient manner.

This information is not intended as legal or tax advice. For such advice, please consult an attorney or tax advisor. Figures cited in any examples are for illustrative purposes only. References to tax rates include federal taxes only and are subject to change. State law may further impact your individual results.