



## The CARES Act and its Charitable Impact

In response to the COVID-19 pandemic, on March 27, 2020 Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which authorized more than \$2 trillion to battle COVID-19 and its economic effects. The CARES Act modified the limitations on charitable giving to encourage individuals and corporations to make cash contributions to public charities. We have highlighted the key provisions here, which are currently for 2020 only.

### **\$300 “Above-the-Line” Deduction for Non-Itemizers**

Under prior rules, taxpayers who did not itemize their deductions on their income tax returns could not take a charitable deduction for donations to qualified charities. The CARES Act allows these non-itemizers to deduct up to \$300 in cash giving for the 2020 tax year above and beyond the standard deduction. The IRS indicated that the \$300 limit applies to the tax-filing units. The example the IRS provided is that married taxpayers who file a joint return and do not itemize are allowed to deduct up to a total of \$300 in qualified charitable contributions on the joint return. (Note: Donations must be made directly to a qualifying charity.)

### **Relaxed Limitations on Deductions for Individuals**

For individuals who choose to itemize, IRC Section 170(b)(1) limited the deduction for cash contributions to qualified charitable organizations to 60% of the individual’s adjusted gross income (“AGI”). Under the CARES Act, however, the deduction for cash contributions to a qualified charitable organization in 2020 is increased to 100% of the individual’s AGI. If the contribution exceeds the limitation, the individual can still carry forward and utilize the excess amount for up to five additional years. (Note: Donations to donor advised funds and charitable remainder trusts would not qualify.)

### **Relaxed Limitations on Deductions for Corporations**

Under prior law, corporate deductions for cash contributions to qualified charities were limited to 10% of taxable income. The CARES Act increases this limitation to qualified charities in 2020 to 25% of the taxable income of such corporation. The corporation can also carry forward and utilize any excess amount for up to five additional years.

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