

This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Some Good News for Nonprofits: The CARES Act Encourages Charitable Giving

In response to COVID-19 and its economic impact, the CARES Act includes three specific changes to encourage individuals and corporations to make larger charitable donations in 2020. You may want to share this information with potential donors to encourage charitable gifts to your organization.

1. \$300 “Above the Line” Individual Donation Deduction

In 2018, the standard deduction for individuals increased substantially which means that many individuals no longer itemize their deductions on their tax returns. If an individual takes the standard deduction, then there is no tax benefit for the individual to give to charity. The CARES Act creates for tax year 2020 a new tax deduction for a \$300 cash donation by individuals who take the standard deduction. To be included, the donation must be given to a §501(c)(3) public charity organization and may not be to a supporting organization or donor advised fund.

2. Limits Increased for Individuals Who Itemize Charitable Deductions

Under the CARES Act, for tax year 2020 donors who itemize can take a deduction for up to 100% of adjusted gross income (AGI) for charitable donations (up from 60%). Instead of having to carry forward the deduction for donations over 60% of AGI, it can be applied against 2020 taxes. Also, charitable donations over 100% of AGI can be carried forward for five years subject to the 60% of AGI limit in those years. The charitable donation must be given to a §501(c)(3) public charity organization and not to a supporting organization or donor advised fund. Also, any charitable donations carried over from a prior tax year (before 2020) are excluded from this temporary benefit and are subject to the prior limits.

3. Limits Increased for Corporations That Itemize Charitable Deductions

Under the CARES Act, for tax year 2020 a corporation's income tax charitable deduction is increased from 10 to 25 percent of the corporation's taxable income. In the case of charitable donations by partnerships or S corporations, each partner or shareholder must separately elect to use the modified percentage limitations. Any charitable donation exceeding the 25% limit may be carried forward and used in later years subject to certain limits. The charitable donation,

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however, must be given to a §501(c)(3) public charity organization and not to a supporting organization or donor advised fund.

Donors should contact their tax advisors to address their individual circumstances.