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Charitable Giving and the CARES Act

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The past several months have been as challenging a time as any we've faced in our lifetimes, with feelings of anxiety, stress, and great uncertainty pervading our foremost thoughts while we pause normal life to experience the "new normal" designed to combat the spread of COVID-19. The pandemic has taken its toll on the health and well-being of far too many, the ramifications of which may be felt for quite some time.

As we chart a new path from uncertainty to greater financial security, there are a few new options to consider in balancing long-term financial goals with near-term objectives while also preserving charitable giving priorities. This newsletter provides an overview of the new incentives that were made available with the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and how this might impact your plans in 2020 and beyond.

On a separate-but-related note, the uncertainty of the current time period has caused many to re-examine their estate plans to ensure they are still accurate and up-to-date in articulating future financial and asset distribution. Our [previous newsletter](#) covered this timely topic of wills, bequests and trusts, and we encourage you to review it, to maximize your short- and long-term financial plans and philanthropic giving. [You'll find it by clicking here.](#)

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WHAT IS THE CARES ACT?

The CARES Act is a \$2.2 trillion economic stimulus package that was signed into law on March 27, 2020. The Act is far-reaching and contains many different elements aimed at providing economic relief to individuals and businesses facing hardship or economic ruin as a result of the current pandemic. The Act sends direct payments to eligible taxpayers, expands unemployment insurance, provides loans with “forgivable” terms to certain small businesses and nonprofits, and gives borrowers of home and student loans more time to make payments. It also provides new charitable giving incentives.

The inclusion of an expanded charitable giving incentive is an acknowledgement by our legislative leaders that philanthropy can make a true difference during a crisis time period, and the work of institutions like Goshen College are considered essential. It is the first time that Congress has passed this type of giving incentive in response to a disaster or national emergency. And therefore, it is worth careful review and consideration as you plan your potential giving in 2020.

How does the CARES Act impact philanthropic giving in 2020?

There are three ways in which philanthropy is impacted by the CARES Act.

New Charitable Gift Deduction Available.

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you must give a donation between January 1 and December 31, 2020. Donations must be made to a qualifying public charity. Donor-advised funds (DAF) and private foundations do not qualify for this new deduction.

Expanded Charitable Deduction Limits in 2020

The CARES Act also provides expanded charitable deduction limits for businesses and individuals who itemize deductions on their tax returns.

In 2020, individuals can deduct cash contributions to qualifying organizations for up to 100% of their adjusted gross income. This is expanded from the previous limit of 60% of AGI. Businesses may deduct up to 25% of taxable income, up from the previous limit of 10%.

It should be noted that this expanded deduction is for cash gifts that are provided to a public charity. If you choose to give cash to your private foundation or donor-advised fund, the old deduction rules still apply. In addition, the expanded charitable deduction limit does not apply to gifts of appreciated stock.

If your assets are substantial enough that you can give more than your adjusted gross income this year, you won't lose that deduction for the excess amount. As it was under the previous deduction rules, you can still use the excess amount as a deduction when you file your taxes next year.

Suspension of Required Minimum Distributions in 2020

Giving directly from one's IRA has been an attractive way to make a significant charitable gift. An IRA owner generally must take a required minimum distribution (RMD) from a retirement account when that owner reaches a certain age (either 70 ½ or 72 years of age). A gift given directly from an IRA, other than a SEP or SIMPLE IRA, to a qualified charity serves as a qualified charitable distribution (QCD). Amounts distributed as a QCD can be counted toward satisfying your RMD for the year, up to a maximum of \$100,000.

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charitable gift, it should be noted that even with the waiving of RMDs for one year, donors directing a QCD to charity in 2020 (up to \$100,000 per individual) will still be able to reduce their taxable IRA balance. This allows all taxpayers – itemizers and non-itemizers alike – to direct gifts from their IRA to charities of their choice in a tax efficient manner.



What should I keep in mind in regard to philanthropic giving in 2020?

We distribute this newsletter as a resource for you to use as you consider your entire estate and how to balance short- and long-term financial goals with your charitable giving objectives. The new charitable giving incentives recently made available via the CARES Act should certainly be taken into account as you consider your financial and charitable giving objectives in 2020. There are several things to consider:

First, the above-the-line deduction of \$300 cash contributions per taxpayer allows a tax deduction to those who would not otherwise be able to benefit from these contributions. When gifts of up to this amount are given, it correspondingly reduces your taxable income by that amount. For some, this may not be viewed as a large amount, but it is \$300 you

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2020 if you opt to carry over gift amounts beyond your income for the next 1-5 years. While this incentive may not be feasible for those who have been hit hard by the pandemic, it provides a tax efficient way of making a significant impact for those in a more favorable financial position.

Both of these incentives apply to cash gifts given in 2020. This makes sense as these incentives are part of an overall bill aimed at stimulating the U.S. economy. In fulfilling philanthropic objectives, cash gifts should be foremost on donors' minds as a primary method of giving in 2020. But that doesn't mean there aren't other gift-giving methods to consider.

As noted previously, the CARES Act suspended required minimum distributions (RMDs) from most qualified retirement plans, including IRAs. This could reduce the incentive for some to make charitable distributions from IRAs in 2020. (The IRA charitable rollover remains available in 2020.) For example, a taxpayer with an RMD of \$100,000 who usually makes \$50,000 in IRA charitable rollover gifts each December may choose to make no IRA charitable gift in 2020 and instead make \$50,000 rollover gifts in January and December 2021 to satisfy the RMD requirement in 2021.



On the other hand, because of the 100% charitable gift deduction allowed for cash gifts to certain charities this year, a taxpayer who has attained age 59 ½ can in effect make a tax-

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trust can sell its assets and distribute the cash proceeds to the trust itself, who can then give them to charity and deduct them in any amount, up to 100% of AGI (or beyond if the excess is carried over to subsequent years).

IN CONCLUSION

With the recent enactment of the CARES Act, there are several new giving incentives to consider in 2020 – for cash gifts large and small. All who are inclined to give in 2020 and do not itemize their deductions should take advantage of the \$300 charitable gift deduction. And those who are in a position to make a larger gift have a favorable tax benefit of doing so. As always, we encourage you to consult an attorney or other professional advisor experienced in estate planning and tax law for more complex considerations.

We are happy to visit with you and discuss how your giving in 2020 can be maximized by the recent passage of the CARES Act. If we can help in any way, please contact one of us in the College's advancement office. You can find our contact information at <https://www.goshen.edu/give/contact/> And keep safe and stay well. We will get through this pandemic together and we believe Goshen College will thrive for years to come.

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