



The CARES Act & Charitable Giving

A Guide for Maximizing Your Philanthropic Impact In 2020

In March 2020, Congress passed, and President Trump signed sweeping changes into law in the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act. The CARES Act included some significant changes to tax deductibility of charitable gifts for 2020. The new law offers an unprecedented opportunity for benefactors to reevaluate how best to maximize their philanthropic impact to The YMCA of the Okobojis this year.

A GUIDE TO RECENT CHANGES

Cash Contribution Limits Raised for 2020

- The adjusted gross income (AGI) deductibility limit for gifts of cash by individuals is now 100%, up from 60%.
- The AGI deductibility limit for gifts of cash by C-corporations is now 25%, up from 10%.
- These changes apply to outright cash gifts to public charities but not to contributions to donor-advised funds (DAFs) or private foundations.

New Universal Deduction for All Taxpayers Up to \$300

- Individuals may now elect to take an above-the-line charitable deduction of up to \$300 for cash gifts made to public charities in 2020. This applies to both itemizers and non-itemizers.

Required Minimum Distributions Suspended in 2020

- Required minimum distributions from Individual Retirement Accounts (IRAs) are suspended for 2020; however, benefactors 70½ or older may still make qualified charitable distributions (QCDs).



WHAT THIS MEANS FOR BENEFACTORS

The CARES Act has ignited interest among individuals and corporations to amplify their cash gifts to charity in 2020. In doing so, they can drastically reduce their taxable income. For individuals, it is possible to reduce their federal taxable income to zero.

Angela's Example:

- Angela's estimated AGI for 2020 is \$1 million. She wants to make a significant charitable gift of cash to The YMCA of the Okobojis, and her advisors have encouraged her to give in a tax-smart way under the CARES Act.
- Before the CARES Act, the largest cash gift she could make this year and fully absorb the deduction was \$600,000 (60% x \$1 million AGI).
- Now, thanks to the CARES Act's removal of the 60% limitation, she can make a charitable gift of \$1 million this year and fully absorb the entire \$1 million of the deduction in 2020. In other words, she has an opportunity to make a bigger impact to The YMCA of the Okobojis (\$400,000 more in giving) while paying zero federal income tax in 2020. *

WHAT HASN'T CHANGED

The Advantages of Donating Long-Term Appreciated Assets

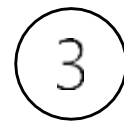
- Donating long-term appreciated assets (e.g., investment property held longer than 12 months) is a well-known charitable giving strategy for many benefactors because of its tax advantages.
- Examples of long-term appreciated assets include publicly traded stock, private C-corporation stock, restricted stock, limited partnership interests and real estate.
- Even during periods of market volatility, long-term appreciated assets that have many years of market appreciation built up can be attractive assets to consider donating for three main reasons.



Deduct up to 30%
of AGI



Take a fair market
value deduction



Avoid capital gains
taxes

* The extra \$400,000 in deducted income, assuming an effective federal income tax rate of 33%, saves her an extra \$132,000 in taxes owed for 2020. In other words, the extra \$400,000 in giving only cost her \$268,000 to make.

YMCA of the Okobojis

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STRATEGIES FOR GIVING IN 2020

- **Give More Cash in a High-Income Year**
 - **Individuals.** The CARES Act incentivizes individuals to make large gifts of cash (relative to their 2020 AGI) in 2020. The advantage being they can fully absorb the charitable deduction up to 100% of their AGI, thereby reducing their 2020 federal taxable income to zero.
 - **Corporations.** Similarly, corporations wanting to maximize their tax savings in 2020 may choose to increase their cash giving this year, up to the new 25% deductibility limit (relative to their business income).
- **Give Long-Term Appreciated Assets** - Individuals who own low basis stock or other long-term capital assets may choose to donate them to charity in 2020, due to the continued favorable income tax deduction and capital gain avoidance.
- **Give from a DAF** – Many DAF account holders view their DAF as a rainy-day fund to enhance their ability to give during volatile markets. Distributing funds already held in a DAF does not affect personal financial security and provides stable and immediate funding for charities.
- **Accelerate Payments on Pledge Agreements** – Benefactors with existing pledge agreements might consider paying those commitments off earlier than planned. Cash payments in 2020 toward existing pledge agreements count toward any charitable deductions taken this year.
- **Accelerate Legacy Gift Commitments** – Given the CARES Act's enhanced tax deductibility in 2020, benefactors with legacy gift commitments through their will or trust might consider accelerating part of those financial commitments. From a tax perspective, they may qualify for an income tax deduction and/or avoid capital gains. In addition, it will remove the amount from their estate.

These are just some of the many ways in which benefactors could consider supporting the programs and services of The YMCA of the Okobojis in 2020. Please contact The YMCA of the Okobojis for assistance in understanding how this may impact your philanthropy.

Determining a giving strategy is largely dependent on individual factors, such as income bracket, deductions, and personal goals. The YMCA of the Okobojis does not provide legal or tax advice. Benefactors should consult with their legal or tax advisors before making charitable gift to the YMCA or any other worthy charity.