



Leading Through COVID-19

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES Act)

New Tax Wise Strategies for Giving

The recent legislative package (CARES Act) (S.748) signed into law encourages and deploys new strategies for philanthropic giving during these unprecedented times. These changes have given organizations new strategies and tools that will award donors and corporations for their charitable support for calendar year 2020 in place of previous charitable tax laws. For the first time, these changes will not only enhance major gift fundraising and corporate support but also will provide tax benefits to donors who cannot itemize while enhancing benefits to those who can.

If you broadcast these charitable incentives through donor appeals or when discussing a major gift commitment, encourage donors to consult with their professional advisors to maximize these new tax

benefits. Most importantly, this is an opportune time to provide value and knowledge to donors rather than simply making a request for support.

Donors Who Use the Standard Deduction

The law provides an above the-line-deduction of up to \$300 in 2020 for cash donations to donors who currently use the standard deduction on their tax return. This is a message that should be shared through general appeals for support and may even attract new donors to your organization.

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Donors Who Itemize Deductions

Previously, donors who itemize deductions were able to deduct charitable gifts of cash up to 60% of their annual adjusted gross income (AGI). The new law has temporarily lifted this cap to **100% of their AGI** for calendar year 2020. If a gift exceeds 100% of their AGI in year 2020, they can still take advantage of the five-year carryover rule, allowing them to apply the unused portion of their deduction in 2021 and additional years if needed. Gifts of appreciated property still remain up to 30% of AGI. This new opportunity provides a significant incentive to support your organization when funds are needed. If you are structuring a major gift commitment or revisiting/adjusting an existing multi year commitment this is essential knowledge for donors and their professional advisors.

Note: These contributions do not apply to gifts to supporting organizations or donor advised funds. Foundations should ensure donors planning on making large cash contributions direct them to the parent entity if your foundation is not a qualified 501(c)(3) public charity.

Gifts from Qualified Retirement Plans (IRAs)

For year 2020, required minimum distributions for donors 72 and older have been suspended to allow market values to recover from the recent drop in the financial market. However, donors 70 1/2 years of age can still make qualified charitable distributions (QCDs) up to **\$100,000** a year. Although this suspension will certainly impact donors from making QCDs gifts, there is a unique opportunity to withdraw large amounts from an IRA, giving the cash to your organization and fully deducting the donation with the elevated allowance of deductibility to 100% of AGI. Donors who have significant assets and have utilized their IRA solely for charitable giving to the fullest extent may want to consider this option.

Corporations

For 2020, incentives for charitable contributions by C corporations can now deduct up to 25% of taxable income for cash contributions as opposed to the recent 10% limitation. Contributions of food have increased as well from 15% to 25%. These provisions exclude gifts of inventory or other types of charitable giving. C Corporations whose contributions are above the 25% threshold can utilize the five-year carryover rule. Make note of this increase in your communication with your corporate donors.

Donor Advised Funds (DAFs)

If you haven't already reached out to your donor advised fund (DAF) donors, the time is now. These are readily available funds that can be deployed immediately to support your organization. Payout percentages from DAFs average 20% annually (per the National Philanthropic Trust 2019 DAF Report) meaning donors have on average 80% of their DAF to immediately deploy during this critical time in our nation.

In Conclusion

During these uncertain times, the above techniques and strategies should be shared with donors and their advisors when appropriate. Most importantly, meet your donor where they are, some will want to engage in charitable gift discussions while others will appreciate what your organization is doing to overcome the current crisis.

About the Authors: James Gold and John Donovan are Principal Consultants with Accordant. They can be reached at James@AccordantHealth.com and John@AccordantHealth.com

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