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Changes to Charitable Contribution Limits  
From: Tax and Finance in the Time of Coronavirus

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## Charitable Contributions

In any “normal year” donors face a limit, equal to 60% of their Adjusted Gross Income, on their itemized deduction for charitable contributions.

The CARES Act increases Charitable Contribution limits for 2020 charitable contributions to

- 100% of AGI for individuals (increased from 60%),
- 25% of taxable income for corporations (increased from 10%), and
- 15% to 25% for business contributions of food inventory for the care of the ill, needy or infants.

In addition, CARES creates a charitable “above the line” (adjustment to gross income) deduction for up to \$300. The above the line deduction applies only to those who do not itemize. One outcome is certain: Non-Itemizing Individual Donors should, without exception, allocate the first three hundred dollars of charitable deduction to the newly created adjustment to gross income. This is not quite the above the line deduction we were hoping for, but we will take it.

### CARES

- Does not change the definition of “Qualified Organization”<sup>i</sup>
- Does not change documentation, substantiation, and due diligence standards for Charitable Contributions, and
- Does not suspend any of the procedural requirements that attend large donations, including the quid-pro-quo, Contemporaneous Written Acknowledgement, or Qualified Appraisal rules.
- Does not change the carry-forward rules for either individuals or corporations whose largesse exceeds their respective limits.

CARES (for 2020) overrides the top-tier personal income tax itemization limit with a 100% of AGI deductibility limit.

However, the Act limits the new limit’s applicability to “*qualified charitable contributions.*” *A Qualified Charitable Contribution is donation*

- a) made in cash,*
- b) allowable under IRC §170,*
- c) made to an organization described in IRC §170(b)(1)(A) (i.e. 501(c)(3) and certain other charitable organizations), and not a supporting organization described in IRC §509(a)(3), and*
- d) is not for the establishment of a new, or maintenance of an existing, donor advised fund.*

*The Act goes on to state that a qualified charitable contribution does not include any amount which is carried over from a prior tax year.*

Hence,

- Donations of property (appreciated or otherwise) do not qualify for the new AGI limit,
- Donations to private foundations, donor advised funds, and supporting organizations likewise do not qualify for the extended itemization limit, and
- Carryovers are, not eligible. Carryovers retain the character they acquired when they were made.

Presumably, each of these deductions are still subject to the Code's multi-tiered (60/30/20) deduction limits – though it is hard to conceptualize how the limits apply if you make qualifying contributions. Hopefully, guidance is forthcoming.

## Additional Sources

1. CARES Act, [H.R. 748](#), P.L. 116-136. (Mixed, Personal Small Business Provisions)
2. [IRS Charitable Contributions Page](#): Temporary Suspension of Limits on Charitable Contributions
3. IRS Website:
  - a. [Expanded tax benefits help individuals and businesses give to charity during 2020 \(IR 2020-278, December 2020\)](#)
  - b. [How the CARES Act changes deducting charitable contributions \(Tax Tip 2020-153, November 2020\)](#)
  - c. [Special \\$300 tax deduction helps most people give to charity this year – even if they don't itemize \(IR 2020-264, November 2020\)](#)
4. Journal of Accountancy (Geared to Practitioners): [The new charitable deduction for nonitemizers \(McKinley, Richardson, Lee – September 2020\)](#)

## End Notes

The notes in this presentation are intended to assist tax and financial professionals and ardent do-it-yourselfers. The notes offer a deeper analysis of issues than is commonly appropriate to a seminar presentation designed to familiarize non-professionals with the issues and rules they may confront. Please note that these Endnotes are, for the most part, extracted without editing from relevant source documents. Please do not judge Steven Roy Management's ability to articulate clear thoughts based on this part of our presentation.

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<sup>i</sup> Qualified Organizations: Charitable contribution made to, or for the use of, any of the following organizations that otherwise are qualified under section 170(c) of the Internal Revenue Code are deductible.

1. A state or United States possession (or political subdivision thereof), or the United States or the District of Columbia, if made exclusively for public purposes;
2. A community chest, corporation, trust, fund, or foundation, organized or created in the United States or its possessions, or under the laws of the United States, any state, the District of Columbia or any possession of the United States, and organized and operated exclusively for charitable, religious, educational, scientific, or literary purposes, or for the prevention of cruelty to children or animals;
3. A church, synagogue, or other religious organization;
4. A war veterans' organization or its post, auxiliary, trust, or foundation organized in the United States or its possessions;
5. A nonprofit volunteer fire company;
6. A civil defense organization created under federal, state, or local law (this includes unreimbursed expenses of civil defense volunteers that are directly connected with and solely attributable to their volunteer services);

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7. A domestic [fraternal society](#), operating under the lodge system, but only if the contribution is to be used exclusively for charitable purposes;
  8. A nonprofit cemetery company if the funds are irrevocably dedicated to the perpetual care of the cemetery as a whole and not a particular lot or mausoleum crypt.

If in doubt about the bona fides of any organization, use the IRS's [Tax Exempt Organization Search](#) function to verify the organization's exempt status. Private databases are available if you wish to review the organization's finances, governance, and compliance history – e.g. Guidestar's [Directory of Charities and Nonprofit Organizations](#) and their [Charity Search](#) function.