

Changes to Charitable Contributions

In addition to measures taken to provide economic relief and stimulus for individuals and corporations financially impacted by the coronavirus pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act also expands charitable contribution provisions for taxpayers and businesses.

The Tax Cuts and Jobs Act (TCJA) increased standard tax deduction amounts, while also pulling back on some deductions, which has resulted in fewer taxpayers itemizing deductions on recent tax returns. Now, thanks to the CARES Act, you can claim an above-the-line deduction of up to \$300 for qualifying charitable donations, regardless of whether the charitable organization is associated with COVID-19 assistance or not. Any amount in excess of \$300 will be carried over for five years.

TCJA had also raised the annual limit of an individual's monetary contributions to 60% of their adjusted gross income (AGI), but the CARES Act raises that to 100% - which means taxpayers who itemize can typically write off all charitable donations of cash this year.

For businesses, their charitable deduction limit typically can't surpass 10% of the entity's taxable income. Now, thanks to the CARES Act, that threshold increases to 25% of taxable income for 2020. As with individuals, any excess is carried over for up to five years. Corporations should also get a written acknowledgement of any gift of \$250 or more from the charitable organization as a receipt.

Companies who are able to donate food to qualified organizations for "the care of the ill, needy, or infants" can deduct up to 25% of their taxable income for 2020 (up from 15%). The deduction is equal to the lesser of:

- The cost of the donated food, plus half of the appreciation; or
- Twice the cost of the donated food

If a corporation does deduct a food contribution, keep in mind that the cost of goods sold must be reduced by the original purchase price of the food.

Source: AccountingWeb.com, "What Tax Breaks Does the CARES Act Offer for Charitable Giving"

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