

## CARES Act: Support for Charities

Articles, COVID 19: Answers to Business Challenges March 30, 2020

The CARES Act provides two assists for charitable entities by improving tax breaks for those donating.

**\$300 Above-the-Line Charitable Deduction:** The first is an above-the-line charitable deduction that allows eligible individuals to deduct up to \$300 of qualified charitable gifts from gross income. Eligible individuals are those who do not elect to itemize deductions. Qualified charitable gifts are those made in cash to most charitable organizations, although there are some exceptions. The benefit does not apply to gifts to a donor advised fund or 509(a)(3) supporting organizations. The deduction may be taken for tax years starting in 2020.

**Modifications of Percentage Limits:** The second is a modification of the limits that otherwise would apply to the amounts an individual or corporation can deduct as charitable gifts each year. Certain qualified contributions made in cash are disregarded in applying the 60% limit on cash contributions that an individual can deduct and the 10% limit for corporations and with respect to certain carryovers of excess contributions. Generally speaking, with respect to individuals, qualified contributions are disregarded only to the extent that, when added to all other charitable contributions, the total does not exceed adjusted gross income. For corporations, qualified contributions are disregarded to the extent that the sum of qualified contributions and other charitable contributions does not exceed 25% of the corporation's taxable income. Again, the benefit does not apply to gifts to a donor advised fund or 509(a)(3) supporting organizations. The benefit may be applied for tax years starting in 2020.

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