

## New Charitable Contribution Rules Provide Tax Relief

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March 27, 2020 – Taxpayers would often maintain letters and receipts of charitable contributions and other allowable expenses in hopes to claim itemized deductions, which are greater than the standard deductions, on their tax returns. It typically means that you can't take any deductions on your tax return if you're not itemizing. The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), passed on March 27, 2020, expands the eligibility to take charitable contributions to non-itemizers and modifies the limitations on charitable contributions for 2020.

### **Allowance of Partial Above-the-Line-Deduction for Charitable Contributions for Individuals**

Both itemizers and non-itemizers who made cash contributions to a qualified public charity are eligible to take no more than \$300 on their 2020 tax return as an above-the-line deduction. A qualified charitable contribution does not include donations made to private foundations or donor-advised funds. This is a current year deduction which means no carryforwards are allowed.

### **Modifications of Limitations on Charitable Contributions**

#### **Individuals:**

The CARES Act suspends the 50% (or 60% for cash contributions through 2025) of AGI limitation for itemizers and corporations. Itemizers can deduct charitable contributions up to 100% of 2020 AGI but must first apply the standard AGI limitations for non-qualified contributions. For example, if you make non-qualified contributions equal to 20% of your 2020 AGI, you can deduct your donations up to 80% of AGI and carryforward any excess.

#### **Corporations:**

A corporation can take advantage of the increase in limitation of the enhanced deduction for food inventory for up to 25% of its taxable income. A corporation must first apply the standard 10% limitation to non-qualified contributions and deduct qualified contributions up to 25% of 2020 taxable income. The excess contributions can be carried forward.

#### **Election**

Taxpayers, including partners and shareholders of partnerships and S-corporations that made qualified contributions, must make an election to treat such contributions under this provision.

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