

Charitable Giving in the Time of COVID-19

March 20, 2020 – the day taxpayers were granted an automatic filing extension to July 15, 2020; the day the 2020 tax filing season changed dramatically. It was also a wonderful day that gave me a minute to pause, take a deep breath, and be thankful for the many steady blessings I have in my life. These blessings were shining all the more brightly in the midst of the constantly changing environment, and they gave rise to some much-needed reflection on what my priorities would be in the coming days, weeks, and months. My husband and I had a candid conversation with each other in these early days and decided that we felt called to support our favorite local charities and small businesses as much as we could while they were adapting to changes in their business environments.

Our decision was based on our personal priorities, but, as a tax practitioner, I would be remiss if I failed to smile to myself a little bit when Congress, via the CARES Act, provided **all** taxpayers with charitable giving tax benefits. For taxpayers who don't itemize deductions on Schedule A, an individual will be able to take an "above the line" deduction of up to \$300 for qualified charitable contributions. That means that the \$300 directly reduces your taxable income and thus your total tax bill (while also benefiting charity)!

Examples of qualified charitable contributions include:

- Cash donations to 501(c)3 nonprofits – aka public charities
- Cash donations and tithes to churches and religious organizations
- Cash donations to veterans' organizations

For taxpayers who itemize deductions on Schedule A, 2020 is a wonderful year to make significant **cash** donations to qualified charitable organizations because amounts up to 100% of annual gross income (AGI) may be deducted. If you are in this category, this adjustment means that you have the possibility of using your charitable contributions to reduce your adjusted gross income to \$0 in 2020! In a normal year, charitable contributions are limited to 60% of your AGI. For purposes of the expanded 2020 giving thresholds, qualified charitable organizations do not include donor advised funds or private foundations. If you are inclined to increase your charitable giving in 2020, I would encourage you to reach out to your tax advisor to learn more about the possible tax benefits.

Since March, I have seen first-hand examples of how businesses, nonprofits, other organizations, and governmental entities have adapted for the benefit of others. Whether it's a tax filing extension, new opportunities for charitable giving, or another creative avenue for supporting a local retailer or restaurant – I am hopeful that our combined support during this time frame will pay dividends in the coming days of our new normal. Business and community leaders are asking good questions and working with their employees to find new answers and perspectives so that they can keep serving their stakeholders. However, we will still face unfortunate challenges. Earlier this year, I never expected to end up being a part of a tough decision to ultimately close a small nonprofit. The outpouring of support and appreciation, though, for the outgoing employees was bigger and more widespread than any of us could have hoped at the time of the decision. Among the challenges and opportunities, I am now looking forward to seeing how much stronger local organizations will be on the other side of this pandemic.

If you have questions about recent tax updates or planning differently for your charitable giving and estate planning in 2020, please contact me or a member of our [Estate Planning team](#).

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