2021 Year-End Giving for Individuals Under the CARES Act

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The CARES Act allowed for provisions for individuals to take advantage of tax benefits for charitable giving specific to 2021. Have you made the most of your charitable giving to take advantage of a few changes under the CARES Act? The following will go over a few of the changes.

The Coronavirus Aid Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020, for relief from the impacts of COVID-19. The CARES Act's primary focus was economic assistance for American workers and families through various stimulus benefits. Additionally, the CARES Act extended the 2020 tax benefits for charitable giving to 2021 with the bill's extension on December 27, 2020.

The type of charitable giving we are referring to is cash donations to qualifying charitable organizations such as 501(c)(3) public charities.

What are the key provisions that affect 2021 under the CARES Act?

For taxpayers that itemize:

For the first time, donors who itemize their deductions can now deduct charitable contributions up to 100% of adjusted gross income (AGI). This change allows donors to maximize donations in a single year and have more control over the impact of contributions on taxable income. Previously, this limit was at 60% of AGI. Giving beyond the 100% limitation may be carried over and used in the following five years.

For taxpayers that claim the standard deduction:

Taxpayers who do not itemize on their return can take a charitable deduction of up to $300 (single, married filing separate, HOH) / $600 (married filing jointly) for cash contributions to qualifying organizations on their return. This is an "above the line" deduction and the maximum is $300/$600 based on filing status.

For taxpayers that make gifts from an IRA:

Under the CARES Act, taxpayers younger than 72 could opt-out of receiving most of their required minimum distributions (RMDs) from IRAs and retirement plans. However, it is important to note donors aged 70½ or older can still make a qualified charitable distribution (QCD, or IRA charitable rollover) of up to $100,000. This benefit may have been minimized if donors elected to quit taking their RMD's, however, the benefit of using a QCD to satisfy an RMD requirement remains a way to make tax-advantageous gifts, specifically if the donor does not itemize deductions. Another advantage is that a QCD keeps the income out of the taxpayer's gross income which can impact the effective tax rate and limitations of other deductions.

This information was excerpted directly from Anderson ZurMuehlen. Please contact us (judy@catholicfoundationmt.org), or your professional accountant/financial advisor with any questions. Thank you!