

2021 CARES Act Extensions

Two CARES Act provisions designed to boost charitable giving have been extended into 2021 by the COVID-19 stimulus package signed into law in December 2020.

+ "Universal" charitable deduction of \$300

- As in 2020, taxpayers can take up to \$300 in cash charitable contributions as an above-the-line deduction—meaning non-itemizers can claim it.
- New for 2021 is that couples who file joint returns can claim up to \$600 of their charitable contributions, as opposed to the 2020 limit of \$300 for single and joint returns. Again, deductions are only for cash donations to churches and charities that are qualified organizations. Donations to private foundations, supporting organizations, or donor advised funds are excluded.

+ Increased charitable deduction limit

- For tax filers who itemize deductions, they are once again allowed to deduct up to 100% of their adjusted gross income (AGI) for cash gifts to public charities in 2021. Those who elect to use this provision are able to give beyond the typical year standard of 60% of their AGI.
- The additional contributions are subject to the same rules as the above-the-line deduction: they must be cash donations to churches and qualified organizations (not private foundations or donor advised funds). This means that cash donations up to the current limit of 60% of AGI can still go to a donor advised fund, while the additional 40% of AGI must go directly to churches and public charities. Alternately, if a donor gives a blend of both non-cash assets and cash, 50% of AGI in cash donations would be subject to the limitations on qualified organizations. The CARES Act did not increase the 30% deductible cap on asset giving.

+ Understanding the changes

- In sum, donors can reach 100% of AGI either through 100% cash donations (maxing out the current limit of 60% of AGI plus an additional 40%) or through a combination of asset gifts (limited to 30% of AGI) and cash (the remaining 70%).
- As in any tax year, charitable donations beyond the deduction limits can be carried over to later years.