New Developments in the CARES Act

The Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was signed into law on March 27, 2020. The CARES Act made changes and additions to the Internal Revenue Code to encourage charitable giving to nonprofits. These revisions were meant to bolster charitable giving, especially donations of cash and food. By implementing these donor incentives, lawmakers recognize the important role of Advocate Aurora Health, and other charities, in dealing with the fallout from the pandemic. Lawmakers also provided additional tax benefits for those supporting charities.

New Universal Deduction: The CARES Act created a “universal charitable deduction” that allows individual taxpayers a $300 above-the-line charitable income tax deduction ($600 for married couples) for cash donations made in 2020. This above-the-line charitable deduction will reduce the donor’s adjusted gross income (AGI) and thereby reduce their taxable income. The universal deduction extends the charitable deduction to all taxpayers. For those who do not itemize, the universal charitable deduction can be used in addition to the standard deduction. The deduction does not apply to gifts made to create or add to Donor-Advised Funds.

Increased Deductible Income: The Act also increased the income limits on deductible charitable contributions for both individuals and corporations. Individuals may deduct up to 100% of their 2020 AGI, up from 60% for gifts of cash. For corporations, the limit was increased to 25% of taxable income, up from 10% in previous years. These changes do not apply to gifts to Donor-Advised Funds or Private Foundations.

Required Minimum Distributions Suspended for 2020: The CARES Act suspended required minimum distributions (RMDs) from IRAs and other retirement accounts for 2020. Those set to start RMDs in 2020 can begin in 2021. This RMD holiday allows individuals to maintain their account balances for this year. (Note: the SECURE Act, passed late in 2019, increased the age for beginning RMDs to age 72, up from age 70½.) Regardless of the 2020 RMD holiday, for those so inclined, the Qualified Charitable Distribution (or Charitable IRA Rollover) remains an option for those age 70½ and is a tax-savvy way to give up to $100,000 to Advocate Aurora Health.

We are here to help. If you have additional questions or if we can assist you in any way, please contact John Holmberg, Vice President, Gift Planning at john.holmberg@advocatehealth.com or 630-929-6945.

(Note: the above is not intended as legal, accounting or professional advice. Please consult with your personal advisors regarding how these changes may affect your situation.)