BOYS & GIRLS CLUBS
OF ALBANY

The CARES Act tax changes go into effect beginning in the 2020 tax year. The following are some of the highlights with regards to charitable giving.

1. Corporate charitable giving opportunities under the CARES Act

For corporations, the CARES Act has increased the cap on deductibility of donations from 10% to 25% on gross income of the corporation. For food donations, the corporate cap has also been increased from 15% to 25%. This allows corporations to make an even bigger impact through their charitable giving, and a corporate gift during this time of need will help us maintain and grow our programs.

The old deduction rules apply to gifts to private foundations. The higher deduction does not apply to donations directly to a Donor Advised Fund (DAF).

2. Retirees and the CARES Act

The new law impacts some owners of Individual Retirement Accounts (IRAs) by providing a temporary waiver of Required Minimum Distributions (RMDs). This waiver will allow IRA owners age 72 or older to keep funds in their IRAs and other qualified retirement plans. For individuals who had to take an RMD for tax year 2019 before the April 2020 deadline, that requirement has been waived for 2020.

For some, keeping the funds in their IRAs until the market rebounds might be the best option. For others, continuing to make tax-free charitable gifts directly from their IRAs may be preferable.

3. Opportunities for Individual Tax-Payers

A. Itemizers: (Estimated to be 10% of all tax-filers)

The CARES Act expands the limit on charitable contributions for individual/joint itemizers—increasing the amount that can be deducted from 60% of adjusted gross income to 100% of gross income. This means itemizers can deduct more of their charitable cash contributions this year, which will hopefully boost charitable giving. Any excess can be carried forward for five (5) years.

B. Non-Itemizers: (Estimated to be 90% of all tax-filers)

The CARES Act allows for a $300 above-the-line deduction for cash charitable contributions made to Boys & Girls Clubs for individual taxpayers who take the standard deduction or $600 for joint filers. The standard deduction for single filers is $12,400 and $24,800 for joint filers. The adjustment to income reduces the donor's adjusted gross income (AGI), and thereby reduces their taxable income (see table below). This charitable deduction may encourage those who do not itemize to continue their charitable giving in 2020.

The table below demonstrates the positive tax savings impact for those taking the standard deduction (non- itemizers) under the CARES Act for both single/joint filers making a gift(s) to a Boys & Girls Club.

Gift/Gifts	Tax Rate	Tax Savings	Net Cost to donor/donors
300/600	10%	30/60	270/540
300/600	12%	36/72	264/528
300/600	22%	66/132	234/468
300/600	24%	72/144	228/456
300/600	32%	96/192	204/408
300/600	35%	105/210	195/390
300/600	37%	111/222	189/378

Both of these provisions for those taking the standard deduction and/or itemizers explicitly exclude enhanced deductions for contributions to 509(a)(3) charitable organizations (commonly known as sponsoring organizations) or Donor Advised Funds (DAFs).

Disclaimer: This communication does not constitute legal, tax, or financial advice, which Boys & Girls Clubs of Albany does not provide. Please consult professional advisors concerning the legal, tax, or financial consequences related to your charitable planning.