

TIP SHEET FOR NONPROFITS

COVID-19 Stimulus Package/ CARES Act

Updated as of April 30, 2020

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The **Coronavirus Aid, Relief, and Economic Security (CARES) Act** became law on March 27, 2020; a \$2 trillion economic stimulus package to provide immediate relief for taxpayers and nonprofits.

By including expanded charitable giving incentives, Congress is acknowledging and endorsing the critical work of nonprofits like yours as essential services. It is the first time Congress has passed this type of giving incentive in response to a disaster or national emergency.

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3 Key Aspects of CARES Act for Individual Taxpayers

New Deduction Available: A charitable deduction of up to \$300 is available to those who take the standard deduction (taxpayers who do not itemize their deductions). This new deduction is an “above the line” adjustment to income that will reduce a taxpayer’s adjusted gross income (AGI), reducing taxable income.

To qualify, you would have to give a donation to a qualified charity, like yours. If you have already made a donation since January 1, that contribution counts toward the \$300 cap. A donation to a donor-advised fund (DAF) does not qualify for this new deduction.

New Charitable Deduction Limits: The CARES Act allows individuals who itemize deductions to deduct much greater amounts of their contributions. Taxpayers can elect to deduct donations up to 100% of their 2020 AGI (up from 60% previously). The new deduction is only for cash gifts that go to a public charity.

The old deduction rules apply for donations to a DAF or private foundation. The new limits also do not apply to gifts of appreciated stock.

If your donations are substantial enough that you give more than your income this year, you won’t lose the deduction for the excess amount. You can use it next year, as has always been the case.

Corporations can also deduct higher amounts for cash gifts to public charities. They may deduct up to 25% of taxable income, up from the previous limit of 10%.



Required Minimum Distributions Waived in 2020 for Most: Required minimum distributions (RMD) for individuals over age 72 are suspended until 2021. This includes distributions that are typically required from traditional IRAs, defined benefit pension plans and 457 plans.

Account owners over age 70½ can make a significant charitable gift by giving directly from an IRA to a charity through a qualified charitable distribution (QCD) and avoid taxable income. Making a QCD this year will allow itemizers and non-itemizers alike to direct up to \$100,000 from their IRA to charities in a tax efficient manner.

This information is not intended as legal or tax advice. For such advice, please consult an attorney or tax advisor. References to tax rates include federal taxes only and are subject to change. State law may further impact your individual results.

Sharing Your Need with Supporters

As you have conversations with your donors, start by asking how they and their family are doing and really listen. If appropriate, share what your organization is doing during this pandemic to reassure them you're still there providing needed services.

Listen for opportunities to discuss these new developments plus other giving options, such as:

- Giving from private foundations and donor advised funds will not decrease the donor's disposable income: these are funds which have already been donated but have not been designated to a specific charity.
- Donors over 70½ can make a qualified charitable distribution from an IRA with no tax consequences.
- Designating charity as a beneficiary of a retirement account to leave funds to charity tax-free at a later date.

How to Share CARES Info with Your Supporters

- Create a landing page on your organization's website with this information (see client example [here](#))
- Add landing page/website link to staff signature block so it's included in all emails
- Share on social media
- Add to newsletter
- Consider a separate mailing, perhaps a postcard (see client example [here](#))
- Design an envelope stuffer into include in donor acknowledgement letters (see client example [here](#))
- Include the following blurb and CTA to your email campaigns:

*What the stimulus package means for charitable giving:
Your support today will make future INSERT SERVICES HERE possible, and - because of provisions
in the recently approved COVID-19 stimulus bill - you could see benefits come tax time.
[Learn More](#)*

For more COVID-19 resources, please visit ceplan.com/covid-19.

About Thompson & Associates

Thompson & Associates partners with nonprofits to provide estate planning services to their supporters. Our planning process helps nonprofits move from "hoping" planned gifts materialize to active gift creation by putting their supporters' needs first. We give supporters an opportunity to work closely with an independent advisor to clarify their values to develop a plan that reduces uncertainty, freeing them to make a lasting impact on their family, community and the world.

