For clients who elect not to itemize: The CARES Act allows an above-the-line deduction for charitable contributions of cash, up to $300 per individual taxpayer. Married, filing jointly, do not get an increase to $600. Maximum deduction is $300 for 2020 federal tax return. This provision should help clients:

• who elect not to itemize and thus might not otherwise make charitable contributions.
• whose charitable contributions already exceed Adjusted Gross Income (AGI) limits. Since it is considered an above-the-line deduction, the $300 reduces the client’s AGI.

For clients who elect to itemize: Prior to the CARES Act, amounts claimed as deductions for charitable contributions of cash were subject to a limit of 60% of AGI. The CARES Act increases AGI limits for cash contributions by individual donors. Now, individuals can deduct up to 100% of their AGI for cash contributions – but only for 2020. The 30% AGI limit for non-cash contributions remains in force.

For Corporate Clients: The deduction for charitable gifts has increased from 10% to 25% of taxable income for corporations.

For clients considering a Roth conversion: The CARES Act makes Roth conversions more attractive. Roth conversions are taxable as ordinary income. If your client contributes to a qualified charity in the year of a Roth conversion, the client can claim deductions under the CARES Act for charitable contributions of cash up to 100% of AGI as an offset to the increase in federal taxable income resulting from the Roth conversion. This may be a tax-smart strategy for clients 59½ and older who are planning a large charitable contribution in 2020.

Existing five-year carryover rules still apply. To take advantage of the increased AGI limit on qualifying cash contributions, clients must make an election, and complex ordering rules for AGI limits may apply.

Clients should consult with their tax, financial and legal advisors to maximize the advantages of these charitable giving strategies.

Deadline: December 31, 2020

Hudson Community Foundation is your partner in charitable giving!

About Hudson Community Foundation (HCF):

HCF is an IRS-recognized, independent, public charity that sponsors donor advised funds and donor restrictive funds that are eligible to receive funds under incentives of the SECURE Act and the CARES Act. HCF is a philanthropic partner that helps families, individuals and companies maximize the impact of their charitable dollars by contributing to causes and nonprofit organizations locally and nationwide.

Founded in 2000 and now celebrating its 20th anniversary, Hudson Community Foundation’s mission is to enhance the overall quality of life in Hudson by increasing charitable giving, educating and connecting donors to community needs and leading on community issues.