CARES Act: New Opportunities to Incentivize Charitable Giving

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The COVID-19 pandemic has prompted significant disruptions to how organizations are addressing operations and fundraising.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act signed on March 27, 2020 made several changes to tax law for both businesses and individuals. One important change relates to increasing an individual’s eligibility to deduct charitable contributions. This was done to encourage increased giving to nonprofits particularly during the pandemic.

The good news is that unlike past charitable donations, tax filers don’t need to itemize to take advantage of this new opportunity to support their favorite nonprofit and secure a tax benefit.

By communicating these changes and benefits to potential donors, nonprofit organizations may have an opportunity to increase contributions during this critical time.

However, there are caveats to keep in mind when engaging prospective donors.

The CARES Act may impact donors differently depending on their individual tax situation. So, it’s important for the donor to know whether they plan to take the standard deduction or itemize on their 2020 tax return.

It’s also recommended that the donor understand that nonprofits are unable to provide tax advice and that donors should consult their tax advisors for specific advice.

Here is a quick summary of the Charitable Contribution Deduction Rules:

- **Non-Itemizers (Using the Standard Deduction)**
  - Previously, individuals who took the standard deduction were not able to deduct any charitable contributions on their tax return.
  - Under the CARES Act, individuals who use the standard deduction are now eligible to deduct up to $300 of contributions in computing their Adjusted Gross Income.
    - The contribution must be a cash contribution made in the current tax year.
    - It must be made to a 501(c)(3) public charity.
    - The contribution cannot be made to private foundations, supporting organizations and donor advised funds.
  - This deduction is a permanent change, and it is only available to individuals who do not itemize.
As nonprofits prepare for fall and winter fundraising campaigns, we hope these CARES Act provisions create new opportunities to incentivize charitable giving among prospective donors and to raise funds in support of their missions.

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