



What Orange County United Way Donors Need to Know about The CARES Act

At the end of March, President Trump signed the Coronavirus Aid, Relief and Economic Security (CARES) Act and it is now law. There are many implications aimed to help Americans deal with the economic impacts of the coronavirus outbreak. One important aspect is how the law helps non-profit organizations.

Certain provisions were designed to help you donate tax-efficiently to non-profits like Orange County United Way.

- Previously, there was a limitation on the amount an individual could deduct to charity. The deduction was 60% of Adjusted Gross Income (AGI) that could be deducted for cash donations if you itemize your taxes. That limitation has been lifted for 2020 and the bill allows individuals to deduct up to 100% of their AGI.
- For individuals who do not itemize, there is also the ability to donate up to \$300 in cash and receive an above-the-line tax deduction.
- Similarly, corporations had a limitation on the amount a corporation could deduct. The limitation was 10% of taxable income. Under the CARES Act, that limitation is now increased to 25% of taxable income for 2020.
- Under the SECURE Act passed in December 2019, the new starting age of Required Minimum Distributions (RMD's) is 72 from the prior age 70 ½. With the CARES Act, there is a waiver of all RMD's for 2020, including Beneficiary IRA distributions. Many donors were making Qualified Charitable Distributions (QCD's) using their RMD's as a way to make donations and avoid taxation on the money. While the RMD has been waived for 2020, donors who are at least 59 ½ years old can still make direct contributions to charities with their IRA's and avoid taxation on the distribution. The maximum amount of QCD is still \$100,000. Also, making QCD's does not require you to itemize your taxes and therefore, can benefit those individuals who do not itemize.

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