

The CARES Act and Caring for Others in a Time of Crisis

To provide much-needed relief from the effects of the COVID-19 pandemic, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. While the Act primarily provides economic stimulus for businesses, there are several temporary measures that impact planning and giving.

Easing the Financial Burden

Several measures in the CARES Act are designed to help ease the financial burden on individuals.

Required minimum distributions suspended

The required minimum distribution (RMD) rules are waived for 2020 for certain defined contribution plans and IRAs—both for 2020 RMDs and for 2019 RMDs that needed to be taken by April 1, 2020. Those who already took their RMD early in 2020 may be able to return that withdrawal to the IRA or other qualified retirement plan from which it was taken.

IRA contribution deadline extended

The deadline for making an IRA contribution that counts for 2019 (usually April 15) has been extended to July 15, 2020, to match the extended tax filing deadline.

Penalty on early retirement distributions removed

An individual who needs to take a distribution from a qualified retirement account for specified reasons related to COVID-19 may do so without paying the 10% early withdrawal penalty. This applies to distributions up to \$100,000 made at any time during 2020. This distribution is taxable over three years and may also be paid back within three years without regard to the cap on contributions.

In addition, for distributions or loans related to COVID-19:

- The 20% mandatory income tax withholding on rollover distributions is waived for 2020.
- The maximum loan amount is doubled for loans between March 27 and December 31, 2020, with the loan due date extended for one year.

Recovery payments for individuals are being processed

For many U.S. taxpayers, the Federal government will make direct payment up to \$1,200 each for individual taxpayers and \$2,400 for married-filing-jointly taxpayers, with additional payments of \$500 per child under age 17. Taxpayers will see reductions as adjusted gross income (AGI) climbs above \$75,000 (individual) or \$150,000 (married filing jointly), with the rebate dropping to zero once AGI exceeds \$99,000 (individual) or \$198,000 (married filing jointly).

Encouraging Charitable Support

Two specific measures in the CARES Act are designed to encourage giving in this time of crisis.

AGI limit for gifts increased

For 2020, the individual limitation of 60% of AGI is raised to 100% of AGI for cash gifts to public charities (not to donor-advised funds). Corporations also have higher limits for 2020 cash gifts—25%, up from the usual 10% of AGI.

Above-the-line deduction allowed

To encourage charitable giving this year, the CARES act grants an individual who does not itemize a \$300 above-the-line income tax deduction for gifts to charitable organizations in 2020. Of course, donors who wish to itemize may still do so.

Examining Other Giving Options

While cash gifts receive added benefits under the CARES Act, there are other ways to give that may be a better fit for your planning.

Donor-advised funds

Individuals with established donor-advised funds may be in a better position to give, as the money has already been set aside and donations through the DAF will not affect personal financial security.

Qualified charitable distributions

IRA owners over age 70½ can give up to \$100,000 (annual aggregate amount) directly from their IRA to charity. Although the gift does not qualify for a deduction, there is no tax on the distribution. For some donors, this option may still be a good fit even though RMDs from an IRA are not required in 2020.

Gift annuities

Donors who wish to secure a reliable stream of income during this uncertain market may find value in charitable gift annuities.

Revocable gifts

Of course, another way to give without impacting current financial resources is to make a revocable gift, such as a gift in a will or a charitable beneficiary designation on a life insurance policy or retirement account.
