

# Unique 2020 CARES Act Charitable Planning Opportunities



By: [Timothy M. Tallach](#), JD, CPA, *Executive Managing Director*

November 2020

As the need for charitable giving continues to grow amid the ongoing pandemic, The Coronavirus Aid, Relief, and Economic Security (CARES) Act includes **four potentially beneficial tax changes** that can further incentivize 2020 year-end giving by boosting charitable income tax deductions.

1. Beginning in 2020, **individual taxpayers who take the standard deduction** are now allowed an “above the line” charitable income tax deduction equal to the amount of cash charitable cash gifts to public charities up to \$300 per individuals (\$600 joint filers.)
2. **2020 only** for cash contributions to public charities, **individual taxpayers who itemize** are allowed to claim a charitable income tax deduction up to 100% of adjusted gross income (usually 60%.)
3. **2020 only** for cash contributions to public charities, **Subchapter C-corporations** can claim a charitable income tax deduction up to 25% of the corporation’s taxable income (usually 10%.)
4. **2020 only** while Requirement Minimum Distributions from IRA and other qualified retirement accounts were suspended, individuals 70 ½ and older remain eligible to make Qualified Charitable Distributions (QCDs) pre-tax up to \$100,000 directly to public charities.

Focusing on the potential opportunity for individuals that itemize deductions and that have both the interest and capacity to make large charitable gifts, a coordinated year-end approach incorporating appreciated marketable securities, IRA QCDs and cash can produce superior tax benefits.

For example, assume a taxpayer age 73 with recurring adjusted gross income of \$1mil. If they wanted to fund a \$1mil gift across public and private charities, in either 2019 or 2021, they could only fully deduct 50% (\$500,000) against current income and be forced to carryforward the remaining 50% (\$500,000) deduction to be used against future income (for up to five years). In 2020, the same donor could effectively deduct >100% of current years income.

	Tax Year 2019	Tax Year 2020
Appreciated Security Donation to Donor Advised Fund (30% AGILimit)	300,000	300,000
Cash Donation to Donor Advised Fund (50% AGILimit)	100,000	200,000
Cash Donation to Public Charity (2019 50% AGILimit / 2020 No AGILimit)	100,000	500,000
<b>Total Donations</b>	<b>500,000</b>	<b>1,000,000</b>
<b>* Deduction Carryforward to Future Years</b>	<b>500,000</b>	<b>-</b>

Under both scenarios, by partially funding their gift with qualified marketable securities, the unrealized taxable gain inherent therein is never taxed – a wise tax move. Additionally, since no 2020 taxable IRA distributions were required (and assumed not taken), by utilizing the full \$100,000 QCD from their IRA, taxpayer has no IRA related taxable income and is still able to direct pre-tax IRA proceeds to further amplify their charitable giving objectives. When viewed in conjunction with the gifts outlined above, this charitably focused client can effectively shelter > 100% of taxable income, while directing \$1.1 mil to charities of their choice.

As you can see, charitable deductions are subject not only to adjusted gross income limitations, but also multiple and interrelated limits based on the recipient organization type (public charity/private foundation/other) and the various types of property contributed. These rules can be difficult to apply.

In order to best assess what 2020 year-end charitable planning strategies might best work for your unique tax situation, please speak to your Pathstone advisory team and engage with your tax professionals as soon as possible.

## About the Author

---



As an Executive Managing Director in Pathstone's Atlanta office, Tim focuses on the development, delivery, and continuous refinement of the firm's holistic wealth advisory and family office solutions. Leading a team of central professionals and collaborating throughout Pathstone's national footprint, he is responsible for strengthening the advisor community through professional collaboration, leveraging best practices, and developing and supporting bespoke planning solutions to meet the diverse and unique needs of Pathstone client families.

Tim brings over 24 years' experience to this role, having worked exclusively with family offices, family businesses, and ultra-high net worth families on tax, financial, fiduciary, philanthropic, and estate planning matters.

## Disclosure

---

This presentation and its content are for informational and educational purposes only and should not be used as the basis for any investment decision. The information contained herein is based on publicly available sources believed to be reliable but is not a representation, expressed or implied, as to its accuracy, completeness or correctness. No information available through this communication is intended or should be construed as any advice, recommendation or endorsement from us as to any legal, tax, investment or other matters, nor shall be considered a solicitation or offer to buy or sell any security, future, option or other financial instrument or to offer or provide any investment advice or service to any person in any jurisdiction. Nothing contained in this communication constitutes investment advice or offers any opinion with respect to the suitability of any security, and this communication has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient. Past performance is no guarantee of future results. Additional information and disclosure on Pathstone is available via our Form ADV, Part 2A, which is available upon request or at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any tax advice contained herein, including attachments, is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of (i) avoiding tax penalties that may be imposed on the taxpayer or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.