



Many of us do not think much about our yearly charitable giving until sometime after Thanksgiving. However, the Coronavirus Aid, Relief and Economic Security (CARES) Act, passed into law last spring, offers incentives to donors to make plans now for their 2020 philanthropic activity. There are provisions in the CARES Act that may yield considerable benefits you.

The CARES Act provides incentives for donors to make contributions now that will aid qualified organizations like Saint Paul School of Theology during the current Covid-19 pandemic. Ordinarily, current tax laws allow donors to deduct no more than sixty percent of their AGI. For the 2020 tax year, if you itemize your deductions, you may be eligible to deduct up to one hundred percent of your adjusted gross income (AGI) based on your charitable contributions. Unless Congress acts soon, the sixty percent limit will be reestablished on January 1, so this taxpayer benefit may last only a few more months.

Similarly, the CARES Act permits corporate donors to increase their deduction to twenty-five percent of taxable income. Again, unless Congress acts soon, this deduction will return to its former level of ten percent on January 1.

Of course, not all of us itemize our deductions. The CARES Act provides incentives for these donors as well. If you fall into this category of donors, you may deduct up to \$300 “above the line” on your 2020 tax return. In other words, qualifying charitable donations may allow you to reduce your AGI by up to \$300, thereby reducing your overall tax liability.

For those of you utilizing donor advised funds (DAF), the CARES Act generally does not allow the increased deductions for funds placed in a DAF. The intent of the law is to ensure that charitable gifts are donated and utilized during the current calendar year. Most DAFs allow donated funds to accumulate from one year to the next and for that reason generally do not qualify for the CARES Act’s special deductions for 2020. Nonetheless, the usual DAF rules permitting deductions up to sixty percent of AGI in cash and up to thirty percent for appreciated assets continue to apply.

The CARES Act does not alter the rules for qualified charitable distributions (QCD) for individuals 70½ years old and older who may donate up to \$100,000 without affecting their taxable income. However, because the CARES Act permits charitable deductions up to one hundred percent of AGI, persons 59½ or older may be able to utilize benefits similar to a QCD up to the amount of their AGI.

Lastly, and most importantly, be sure to confer with your legal counsel or tax advisor as you explore options for utilizing the CARES Act’s charitable deductions provisions. Thank you for your continuing support for Saint Paul School of Theology.

A United Methodist Seminary

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