



The Consolidated Appropriations Act, 2021 (CAA), signed into law on December 28, 2020, extends the charitable giving provisions enacted in the Coronavirus Aid, Relief and Economic Security (CARES) Act. This legislation offers incentives to donors to make plans now for their 2021 philanthropic activity. There are provisions in these acts that may yield considerable benefits to you.

The CAA provides incentives for donors to make contributions now that will aid qualified organizations like Saint Paul School of Theology. Ordinarily, current tax laws allow donors to deduct no more than sixty percent of their AGI. For the 2021 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. Under the current provisions of the law, the sixty percent limit will be reestablished on January 1, 2022, so this taxpayer benefit may last only until the end of the current calendar year.

Of course, not all of us itemize our deductions. The CAA extends and expands the CARES Act 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 2021 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. The CAA also expands this benefit for joint filers by increasing the deduction to \$600.00.

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 CAA’s special deductions for 2021. 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. IRS Publication 526 provides more details for persons interested in considering charitable contributions through a DAF and the CAA.

The CAA 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 CAA 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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