Pittsburgh Planned Giving Council

Legislative Update

By Jack Owen, Esq.

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As we come upon the end of 2020, charitable organizations should remember the CARES Act passed earlier this year in response to the current pandemic. Donors who may not otherwise be able to itemize their deductions on their 2020 tax return and who donate to qualifying organizations on or before December 31, 2020, are able to take a nonitemizer charitable deduction of up to $300 for cash contributions made in 2020. Qualifying organizations are ones which are religious, charitable, educational, scientific or literary in purpose. Additionally, limits on charitable contributions were suspended under the CARES Act. For example, the CARES Act temporarily raised the limit on cash contributions to public charities from 60% of adjusted gross income to 100%. Reminding donors of this information could help your charitable organization by inspiring donors to support you when they may not otherwise do so.

Given the unusual nature of this year and the outcome of the Presidential election, it is possible that income and capital gains tax rates may be raised in the not too distant future. Given this possibility, and the fact that some donors may have less income in 2020 due to the pandemic, donors may be wise to consider accelerating income into 2020 to take advantage of current low tax rates.

Finally, to the extent that a donor is looking to maximize the value of charitable deductions, a donor could think about “bunching” deductions into 2021, especially if the donor’s income is low in 2020. If a donor normally makes donations in December, the donor could consider bunching some or all of their donations into January 2021 to combine them with other 2021 deductions, thus helping to exceed the standard deduction in 2021. Not only will this technique allow claiming the full charitable deduction in 2021, but the deduction could be worth more in 2021 if the donor is subject to a higher 2021 tax rate.

Please do not hesitate to contact any PPGC Board member, or Jack Owen, if you have any questions on these planning ideas or other matters related to your charitable organization.