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COVID-19

The Tax Blotter – June 2020

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Give even if you don't itemize. Due to the Tax Cuts and Jobs Act (TCJA), millions of taxpayers who previously itemized deductions are now claiming the standard deduction instead. Among other changes, the TCJA effectively doubled the standard deduction and suspended or cut back on certain itemized deductions for 2018 through 2025. But now the CARES Act authorizes an above-the-line deduction for donations of up to \$300 in 2020. In other words, you get the deduction whether or not you itemize.

Give the maximum in cash gifts. Previously, your tax deduction for monetary donations to charities was limited to 50% of your adjusted gross income (AGI). Any excess could be carried over for up to five years. Then the TCJA raised this threshold to 60% of AGI for 2018 through 2025. Now the CARES Act goes even further: It allows you to deduct monetary gifts of up to 100% of your AGI for 2020. In effect, there's no limit on the amount you can contribute to charity and deduct this year.

Give from your corporate coffers. The CARES Act does more than enhance charitable deductions for individual taxpayers. It also boosts tax incentives for corporate giving. First, the new law raises the annual limit on deductions for corporations from 10% of taxable income to 25% of taxable income. Any excess may still be carried over for up to five years. Second, the CARES Act increases the limit on deductions for food inventory from 15% of taxable income to 25% of taxable income. These changes are only effective for the 2020 tax year.

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