



MERCERSBURG ACADEMY

The CARES Act and Charitable Contributions

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020, and has been extended into 2021 with several changes.

- 1. Above-the-Line Charitable Deduction: This is a perfect way for non-itemizers to take a deduction for charitable contributions.**
 - The \$300 above-the-line charitable deduction for cash contributions has been extended for single filers who do not itemize deductions.
 - For 2021, the above-the-line charitable deduction for cash contributions has increased to \$600 for married couples filing jointly who do not itemize tax deductions.
 - This does not apply to cash contributions to donor-advised funds, private foundations, or supporting organizations. It also does not apply to carry-over contributions.
- 2. Charitable Contribution Limitation: Itemizers can enjoy a deduction for cash gifts of up to 100 percent of Adjusted Gross Income and corporations benefit from an increase to 25 percent.**
 - Individual taxpayers who contribute cash to a public charity like Mercersburg Academy or a limited number of private foundations, may deduct up to 100 percent of their adjusted gross income after taking into account other contributions subject to charitable contribution limitations. Previously the limit was 60 percent.
 - Individual taxpayers can continue to carry forward any excess charitable contributions for five years.
 - Corporations may deduct charitable gifts up to 25 percent of the corporation's taxable income (increased from 10 percent).
- 3. Waiver of Required Minimum Distributions: The CARES Act suspension of the required minimum distribution from most retirement plans for 2020 does not appear to have been extended into 2021. IRA contributions remain an excellent charitable gift asset.**
 - RMDs are often considered in connection with gifts made to Mercersburg through a Qualified Charitable Distribution (QCD). Donors directing a QCD to charity (up to \$100,000 per individual annually) will reduce their taxable IRA balance. This allows all taxpayers, itemizers, and non-itemizers alike who are at least 70 1/2 to direct gifts from their IRA to Mercersburg in a tax-efficient manner.

For more information about how the CARES Act may impact your specific financial situation, please consult with your tax, legal, or financial adviser(s). To speak directly with Mercersburg's Office of Advancement and Alumni Relations, please contact Carolyn Yeager P '20, '21, chief development officer, at yeagerc@mercersburg.edu or 800-588-2550.