



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 *is set to expire at the end of 2020*.

- 1. \$300 Above-the-Line Charitable Deduction: This is a perfect way for non-itemizers to take a deduction for charitable contributions.**
 - A new above-the-line charitable deduction of up to \$300 for cash contributions is available to taxpayers who do not itemize deductions.
 - This does not apply to cash contributions made to donor advised funds or supporting organizations. It also does not apply to carry-over contributions.
- 2. Charitable Contribution Limitation: Itemizers can now enjoy a deduction for cash gifts of up to 100% of Adjusted Gross Income and Corporations benefit from an increase to 25%.**
 - Individual taxpayers who contribute cash to a public charity like Mercersburg Academy, or a limited number of private foundations, may deduct up to 100% of their adjusted gross income after taking into account other contributions subject to charitable contribution limitations. Previously the limit was 60%.
 - Individual taxpayers can continue to carry forward any excess charitable contributions for five years.
 - Corporations may deduct charitable gifts up to 25% of the corporation's taxable income (increased from 10%).
- 3. Waiver of Required Minimum Distributions: No RMD this year, but this could still be a perfect asset for many.**
 - Required minimum distributions (RMDs) are waived for IRAs, including inherited IRAs, and other qualified retirement plans such as 401(k) and 403(b) plans.
 - RMDs are often considered in connection with gifts made to Mercersburg through a Qualified Charitable Distribution (QCD). Suspension of the RMD may dampen the incentive for some, but the tax benefit of the QCD remains. Donors directing a QCD to charity this year (up to \$100,000 per individual) will still 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 advisor(s). To speak directly with a member of the Office of Advancement and Alumni Relations, please contact Carolyn Yeager, Chief Advancement Engagement Officer, at yeagerc@mercersburg.edu or 800.588.2550.