

Donors and the CARES Act

In the face of economic turbulence, which continues to rattle the economy and nonprofits, many are asking: what can I do? The CARES Act, a sweeping \$2 trillion stimulus bill passed by Congress in response to COVID-19, encourages individuals across the income continuum to participate in the American tradition of charitable giving. Your consideration of giving at this time is admirable.

How (and how much) should I consider giving?

Of interest to wealthier donors: the CARES Act will lift the adjusted gross income cap for 2020. If you are a philanthropist who holds appreciated assets (think real estate, works of art, gold), consider giving these assets. You'll do well by doing good: supporting a meaningful cause, while eliminating capital gains taxes and reducing your taxable income.

At the same time, gifts of all sizes are essential to fuel resilient nonprofits—now more than ever. The CARES Act will establish a \$300 universal charitable deduction in 2020. Give \$3; give \$30; give \$300. If you will receive a stimulus check from the CARES Act, but have the good fortune of stable work or robust savings, consider giving back in this way as well.

For Major Donors

Elimination of adjusted gross income caps for individuals' charitable deductions

Households can deduct charitable gifts of up to 100% of their adjusted gross income, effectively eliminating their federal tax liability in 2020. (In an effort to encourage immediate giving, donations to donor-advised funds will not qualify.)

Households that rely primarily on assets (vs. annual income from compensation) will find this very attractive.

The increase in gift deductions may be used to make new gifts, or to prepay an existing multi-year pledge.

For Many Donors

Not everyone needs "Recovery Rebates"

Eligible households will receive payments of up to \$2,400 (joint filers) plus \$500 per child.

For many, these payments are an essential lifeline. Other households may not need the cash—especially those with stable work or retirees who will continue to draw on assets.

And, as an added incentive, the payments are received tax-free, but charitable gifts can result in a tax deduction.

For the Broad Base

\$300 Universal Charitable Deduction

Non-itemizers (about 90% of all households) can claim a deduction for up to \$300 in charitable giving, or \$600 for a household filing jointly.

Watch for your causes to participate in giving days such as #GivingTuesdayNow (May 5) where your gift might be matched by gifts from others.

Donors and the CARES Act

Why should I consider giving?

Your gift during this time of uncertainty will help to sustain essential services that are needed today. And your generosity will preserve the institutions that provide education and beauty, wonder and social progress—so they can lift our spirits and our society once again when the pandemic ends.

A charitable gift at this time is also a declaration of your faith in the future. It is an action you can take today that will not only make a difference to society; it will make a difference to your own outlook for the future. Scientific evidence confirms that charitable giving makes you feel better.

While tax benefits are rarely the primary consideration when making a charitable gift, the advantages of the CARES Act may inform how—and how much—you can give at this time.

An illustration of the potential tax benefits of giving in 2020:

| Donor Household Data | If the household income (joint filer) is | \$1,000,000 | \$800,000 | \$600,000 | \$500,000 | \$400,000 | \$300,000 | \$200,000 | \$100,000 | \$75,000 | \$50,000 |
|----------------------|--|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|
| | The marginal tax rate is: | 37% | 37% | 37% | 35% | 32% | 24% | 24% | 22% | 12% | 12% |
| | Approximate tax liability: | \$307,149 | \$233,149 | \$159,590 | \$124,590 | \$90,031 | \$60,159 | \$36,159 | \$13,580 | \$15,235 | \$9,235 |
| Major Gifts | Gift needed to eliminate 2020 federal tax liability* | \$982,500 | \$782,500 | \$582,500 | \$482,500 | \$382,500 | \$282,500 | \$182,500 | \$82,500 | \$57,500 | \$32,500 |
| | Net "cost" of the gift after tax savings | \$675,352 | \$549,352 | \$422,910 | \$357,910 | \$292,469 | \$222,341 | \$146,341 | \$68,920 | \$42,265 | \$23,265 |
| Middle Gifts | Gift of \$2,400 stimulus check | \$2,400 | \$2,400 | \$2,400 | \$2,400 | \$2,400 | \$2,400 | \$2,400 | \$2,400 | \$2,400 | \$2,400 |
| | Net "cost" of the gift after tax savings | \$1,512 | \$1,512 | \$1,512 | \$1,560 | \$1,632 | \$1,824 | \$1,824 | \$1,872 | \$2,112 | \$2,112 |
| Broad-Based Gifts | Gifts of \$300 x 2 to secure universal deduction | \$600 | \$600 | \$600 | \$600 | \$600 | \$600 | \$600 | \$600 | \$600 | \$600 |
| | Net "cost" of the gift after tax savings | \$378 | \$378 | \$378 | \$390 | \$408 | \$456 | \$456 | \$468 | \$528 | \$528 |

*Assuming that the household is married and filing jointly, and will also deduct \$10,000 in state and local tax + \$7,500 in mortgage interest