



Dear Friend of MCCF:

As the year draws to a close, I want to remind you of new tax laws for charitable giving which were included in the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act which was established to help individuals, businesses and nonprofit organizations facing economic hardship during these difficult times.

Here are a few key provisions of the CARES Act which may affect you and your charitable goals:

## **New Tax Benefits**

### **Non-Itemizers can Reduce Their Taxable Income by \$300**

If you take the standard deduction, the CARES Act allows you to reduce your taxable income in 2020 by up to \$300 for cash contributions to charities such as MCCF and other local nonprofits, using an “above the line adjustment”. This means the adjustment is made prior to calculating your adjusted gross income.

### **Itemizers also Benefit**

For those who do itemize their deductions, the new law allows for cash contributions to qualified charities such as MCCF to be deducted up to 100% of their adjusted gross income for the 2020 calendar year.

Ordinarily, the income tax charitable deduction for cash gifts is limited to 60% of your income. This 100% limit allows donors to reduce their 2020 federal income tax to zero. Your charitable deductions in 2020 cannot exceed 100% of your income, but you may be able to carry unused charitable deductions forward to future years. **Note:** Since federal income tax rates are progressive, it may not be the tax-wise choice to deduct 100% of your cash contributions in 2020. Check with your financial or other advisors to determine whether the 100% deduction makes sense for your specific circumstances.

## **Required Minimum Distributions Waived in 2020**

For the year 2020, there will be no mandatory distributions from retirement accounts (whatever the age of the owner), thus allowing those accounts to recover. The minimum age for making a tax-free transfer from an IRA to a charity remains at 70½ and the annual limit

remains at \$100,000. **Note:** Even though the age for RMDs was increased from 70½ to 72 at the beginning on January 1, 2020 the age for making a tax-free transfer from an IRA remains 70½ .

## **Qualified Charitable Distributions are still a great way to make Contributions**

Even though RMDs are waived, if you are 70½ or older, you can still use your IRA to get a tax break on giving to charities such as MCCF. You can do so with qualified charitable distributions (QCDs) from your IRA. The funds are directly transferred from your IRA to the charity and are excluded from income.

QCDs provide you with a tax benefit which would otherwise be lost. This may help lower your Medicare premiums and decrease the amount of Social Security which is subject to tax.

## **Donor Advised Funds**

Given the recent surge in the stock market, this may be the ideal time to establish a Donor Advised Fund (DAF) at MCCF. A DAF provides you with one of the most powerful and flexible vehicles for your personal or family philanthropy. It is like a charitable checking account, providing you with a charitable deduction this year even if disbursements to other nonprofits or charitable causes from the fund are not made until future years. Since MCCF accepts stocks, they can be used to establish the fund, allowing for the avoidance of capital gains taxes.

For questions or additional information regarding opportunities to partner with MCCF, please contact by email or at either of the numbers shown below.

Sincerely,

Randy

**Please consult your tax advisor or financial professional to discuss which options are best for you.**

*Randy Cochrane*

Development Director

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