

**For your consideration when making a gift to  
The Montauk Playhouse Community Center Foundation:**

**UPDATED FOR 2021**

*Our previously summarized CARES Act related to charitable contributions made in 2020 (see end of this document).*

As a result of the most recent stimulus package, the Consolidated Appropriations Act, 2021, a couple of these provisions were extended (or increased, in one provision) into 2021 as described below.

**Extension and expansion of the above-the-line charitable deduction**

- The \$300 above-the-line charitable deduction has been extended for single filers who do not itemize deductions.
- For 2021, this above-the-line deduction is increased to \$600 for married couples filing jointly who do not itemize tax deductions.
- As in 2020, this deduction applies only to qualified cash contributions and does not apply to cash contributions made to private foundations, donor advised funds or supporting organizations, or to split interest trusts like charitable remainder and lead trusts. It also does not apply to carry-over contributions.

**Extension of the charitable contribution limitation**

- The temporary suspension of the 60 percent charitable contribution deduction limitation has been extended into 2021 for qualified cash contributions.
- In 2021, individual taxpayers who itemize tax deductions and who contribute cash to a public charity, 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.
- Individual taxpayers can continue to carry forward any excess charitable contributions for five years, but the enhanced 100 percent deduction limitation expires after 2021.
- In 2021, corporations may continue to deduct charitable gifts up to 25 percent of the corporation's taxable income (increased from 10 percent).

The CARES Act suspension of the required minimum distribution from most retirement plans for 2020 does not appear to have been extended into 2021.

*This information is not intended as legal or tax advice. For such advice, please consult an attorney or tax advisor. References to tax rates include federal taxes only and are subject to change. State law may further impact your individual results.*

**For more information, please contact our Director of Development Julia McCormack at 631-668-1124.**

(please see next page)

## 2020 SUMMARIZATION

*CARES Act for Nonprofits* – Friday, March 27, 2020, the Congress and the President signed into law the **Coronavirus Aid, Relief, and Economic Security (CARES) Act**, an economic stimulus package legislated to provide immediate relief for nonprofits.

### **For your consideration when making a gift to The Montauk Playhouse Community Center Foundation:**

**New Deduction Available:** Up to \$300 per taxpayer (\$600 for a married couple) in annual charitable contributions. This is available only to people who take the standard deduction (for taxpayers who do not itemize their deductions). This is an “above the line” adjustment to income that will reduce a donor’s adjusted gross income (AGI), and thereby reduce taxable income. A donation to a donor advised fund (DAF) does not qualify for this new deduction.

**New Charitable Deduction Limits:** As part of the bill, individuals and corporations that itemize can deduct much greater amounts of their contributions. Individuals can elect to deduct donations up to 100% of their 2020 AGI (up from 60% previously). Corporations may deduct up to 25% of taxable income, up from the previous limit of 10%. The old deduction rules apply to gifts to private foundations. The higher deduction does not apply to donations directly to a DAF.

**Required Min. Distributions Waived in 2020 for Most Donors:** Required minimum distributions (RMD) that would have had to start in 2020 do not have to start until 2021, including distributions from defined benefit pension plans and 457 plans. This change will dampen somewhat the incentive for a donor to make a qualified charitable distribution (QCD) from their IRA in 2020. Even so, making a QCD this year will still allow itemizers and non-itemizers alike to direct up to \$100,000 from their IRA to charities in a tax efficient manner.

### **Details About CARES Act**

The inclusion of an expanded charitable giving incentive is a critical acknowledgement by Congress that the work of nonprofits are essential services. It is the first time Congress has passed this type of giving incentive in response to disaster or national emergency.

### **Here’s How it Works**

**New Deduction Available:** The bill makes a new deduction available for up to \$300 per taxpayer (\$600 for a married couple) in annual charitable contributions. This is particularly beneficial to people who take the standard deduction when filing their taxes (in other words for taxpayers who do not itemize their deductions). It is calculated by subtracting the amount of the donation from your gross income. It is an “above the line” adjustment to income that will reduce your AGI, and thereby reduce taxable income.

To qualify, you would have to give a donation to a qualified charity. If you have already made your donation since Jan. 1, that contribution counts toward the \$300 cap. A donation to a donor-advised fund (DAF) does not qualify for this new deduction.

**New Charitable Deduction Limits:** Also part of the bill, individuals and corporations that itemize can deduct much greater amounts of their contributions.

Individuals can elect to deduct cash contributions, up to 100% of their 2020 adjusted gross income, on itemized 2020 tax returns. This is up from the previous limit of 60%. Corporations may deduct up to 25% of taxable income, up from the previous limit of 10%.

The new deduction is only for cash gifts that go to a public charity. If you give cash to, say, your private foundation, the old deduction rules apply. And while the organizations that manage DAF's are public charities, you do not get the higher deduction for donating cash to your DAF. These new limits do not apply to gifts of appreciated stock.

If your assets are substantial enough that you can give more than your income this year, you won't lose the deduction for the excess amount. You can use it next year, as has always been the case.

**Required minimum distributions waived in 2020 for most donors:** RMD for individuals over age 70 ½ are suspended until 2021. This includes distributions from defined benefit pension plans and 457 plans. The RMD is an attractive way for donors to make a significant charitable gift directly from their IRA to a charity through a qualified charitable contribution (QCD) while avoiding taxable income. The suspension of the RMD may dampen somewhat the incentive for a donor who makes a gift from their IRA to count toward that minimum. However, the tax benefit of the QCD remains. **The takeaway - 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, to direct gifts from their IRA to charities in a tax efficient manner.**

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