

March 29, 2020

The CARES Act Expands the Charitable Contribution Deduction

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), which provides \$2 trillion in emergency relief in response to the unprecedented health and economic crises caused by the COVID-19 pandemic. As we noted in our [March 27, 2020 Memorandum](#), the CARES Act significantly loosens restrictions on deductions for certain charitable contributions made in cash in calendar year 2020. Taxpayers should be sure to take these special rules into account in considering the amount and timing of their charitable donations this year.

Under existing rules, the charitable contribution deduction for individuals may not exceed 60% of adjusted gross income (“AGI”) in the case of certain cash contributions. The CARES Act suspends this limitation for cash contributions made in 2020 by providing that an individual may deduct such contributions up to an amount equal to the excess of AGI over the amount of any other charitable deductions allowed. However, while this provision will apply to cash contributions to many types of non-profits (including schools, hospitals and publicly supported charities), it expressly does not apply to contributions made to non-operating private foundations or donor-advised funds.

Thus, an individual with \$100,000 of AGI who makes only qualifying cash contributions in 2020 may deduct up to \$100,000. If such individual makes \$20,000 in deductible contributions to a donor-advised fund in addition to \$100,000 of qualifying cash contributions, the aggregate deduction for 2020 will again be \$100,000 (with \$20,000 of the qualifying cash contribution not deductible in 2020). Any qualifying cash contribution in excess of the increased limit may be carried forward for the next five years, but the carryover will be subject to the existing limitations. Taxpayers will remain subject to any applicable state income tax limitations in states that do not conform to federal tax treatment.

For corporations, the charitable deduction limit is similarly increased for qualifying cash contributions made in 2020 from 10% to 25% of taxable income (less the amount of other charitable contributions allowed). In addition, the percentage used to calculate limitations on deductions for food inventory contributions made in 2020 is increased from 15% to 25%.

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