CORONAVIRUS RELIEF LEGISLATION: Impacts on Charitable Contributions

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There has been much discussion recently about the "Phase 3" coronavirus relief bill, also known as H.R. 748, the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. The CARES Act is designed to provide economic relief and funding during the coronavirus crisis. In addition to the small business loan program—designed to help small businesses, nonprofits, and churches maintain their payroll expenses—there are also specific provisions targeted at increasing charitable contributions.

Now more than ever, churches and other charitable organizations need donations in order to meet immediate needs related to the coronavirus outbreak. But simultaneously, many Americans face financial hardship due to job loss, limited working hours, or increased medical costs. Such hardships may lead to a decline in charitable donations. By creating additional tax incentives for charitable contributions, the CARES Act seeks to encourage Americans to continue giving throughout the crisis.

Under the CARES Act, charitable contributions up to $300 can be deducted in addition to the standard deduction on annual tax returns. This new policy will help offset the negative impact on charitable giving precipitated by the 2017 Tax Cuts and Jobs Act, which simplified and raised the standard deduction to $12,000. This change caused many tax filers to take the standard deduction instead of itemizing their charitable contributions. During negotiations on the CARES Act, the FRC team worked alongside key policymakers on Capitol Hill to increase the total amount of tax-deductible donations. While the $300 amount was not raised, based on the text of the law, this new level may apply to tax years 2020 and beyond, providing incentive for charitable giving going forward.

Reducing charitable giving limits for those who itemize deductions on their tax return is another positive incentive put in place by the CARES Act. The cap limiting charitable contribution deductions to 50 percent of a person's income has been lifted for the 2020 taxable year. This policy also raises the limit on corporate deductions from 10 percent of taxable income to 25 percent and raises limits on food inventory donations from 15 percent to 25 percent.