FINANCIAL ADVISOR IQ

Silver Lining: Advisors Can Urge Clients to Give More to Charity

By Stephanie Forshee May 7, 2020

One piece of positive news coming from the Covid-19 crisis is that advisors can encourage clients to give more to charity.

The Coronavirus Aid, Relief and Economic Security Act increases the cap on charitable contributions to 100% of adjustable gross income, up from the 60% limit previously imposed by the Tax Cuts and Jobs Act of 2017.

Historically, the maximum permissible charitable deduction for an individual was based on a percentage of their adjusted gross income, according to **Barry Salkin**, a lawyer at **The Wagner Law Group**. Salkin specializes in the Employee Retirement Income Security Act of 1974 and employee benefits law.

In a webinar organized by the law firm yesterday about the provisions of the Cares Act, Salkin shared that offsetting income is one way the government is encouraging individuals to donate to charities, which are struggling amid the pandemic.

Previously, deductions for charitable contributions were only available for taxpayers who itemize, he said. And the deduction was “substantially reduced” by the Tax Cuts and Jobs Act, which Salkin believes had an “adverse effect on charitable contributions.”

Advisors can also alert clients to the fact that there is an above-the-line deduction up to $300 available for taxpayers who do not itemize and applicable for the 2020 taxable year, Salkin said. Married couples who file jointly can each deduct $300, he said.

Individuals giving to charity don’t need to file a Schedule A **Internal Revenue Service** form used to claim itemized deductions, Salkin said. They can adjust their income on a Schedule 1 tax reporting document on their Form 1040, he added. Additionally, these contributions must be made in cash to a 501(c)(3) exempt charity, he noted.

There’s no requirement to provide documentation for contributions with a tax return, but individuals should keep a written record of cash contributions, including a receipt from the charity if the donation exceeds $250, Salkin said.

Under the Cares Act, corporations can deduct more, too. The Tax Cuts and Jobs Act had limited charitable contributions by corporations to 10% of taxable income and 15% for charitable contributions of food, according to Salkin. Those deductions are now limited to 25% each, and donations in excess of 25% may be carried forward for five years, he said.

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