FAMILY HOUSE

Donor Options and the Coronavirus Aid, Relief, and Economic Security (CARES) Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides several options for individuals who may wish to support Family House during the current COVID-19 crisis. Following are several scenarios and gift-planning options that donors may consider. For additional information about the impact the CARES Act may have on your philanthropic plans, Family House encourages you to contact a qualified financial advisor. If you are interested in learning more about how your generosity will support Family House's mission, please visit us online or send us a message at development@familyfouse.org.

- The CARES Act allows an above-the-line income tax charitable deduction up to $300 ($600 for a married couple) even if you don't itemize your 2020 income tax return. The break is available to people who claim the standard deduction, which is $12,400 for singles or $24,800 for married-filing jointly in 2020. This provision was inserted specifically to encourage charitable giving this year.

- The CARES Act impacts owners of Individual Retirement Accounts (IRAs) by providing a temporary waiver of Required Minimum Distributions (RMDs) for 2020, allowing IRA owners age 72 and older to keep funds in their IRAs and other qualified retirement plans. The decreased value of their portfolios may motivate some people to keep funds in their accounts temporarily, waiting to see what happens in the investment markets. You may still make direct distributions to charity from your IRA, just as before, if it makes financial sense for you to do so.

- For the 2020 tax year only, donors may elect to apply a 100% of adjusted gross income (AGI) limit to cash gifts to public charities. Gifts to donor advised funds (DAFs) don't qualify. This means that in 2020, a donor who deducts 30% of AGI in long term appreciated property gifts and elects the 100% of AGI limit for qualified cash contributions will be able to also deduct up to 70% of AGI for qualified cash gifts, a total deduction of up to 100% of AGI. If this donor uses all available deduction for qualified cash gifts, that donor will pay no federal income tax in 2020.

- The new law, coupled with current financial uncertainty, has created an appealing climate for those concerned about their income from investments. For example, a donor could transfer assets (cash, securities, real estate, etc.) into a secure income stream for her/himself and/or others via a Charitable Gift Annuity.

- Recent steps taken by the Federal Reserve Bank on federal lending rates have made certain charitable gift strategies more appealing than they have been in some time. For example, a person can reduce the size of her/his taxable estate while planning for a transfer to heirs, all while making a sizable gift to a nonprofit mission via a Family Charitable Lead Trust.

- Donor Advised Funds (DAFs) provide donors with an opportunity to make an immediate gift now. A 2019 study by professors Dan Heist (University of Pennsylvania) and Danielle Vance-McMullen (University of Memphis) found that donors who manage DAFs tend to be more generous with their grant-making during recessions, especially when compared with other forms of giving. The study found: *"While other forms of charitable giving generally drop during economic downturns, we find that grants from DAFs remain relatively stable in recession conditions, despite a reduction in contributions and decline in assets."*

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