Catholic Diocese of Grand Island

Prince of Peace Catholic Church
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Tax Law Changes that affect Charitable Giving and Retirement Plans

Charitable Giving Changes:

1. The 60 % of AGI limit on cash donations by individuals has been raised to 100% for 2020. Gifts to donor-advised funds and private non-operating foundations are excluded.
2. The taxable income limit on charitable gifts of cash by C Corporations rises from 10 % to 25% for 2020.
3. Non-itemizers can now deduct up to $300 of charitable cash contributions as a new above the line deduction even if they don't itemize in 2020.
4. Employees can let their employer apply unused paid time off toward a charitable organization as a donation, and not pay income taxes on those earnings. The charitable contribution deduction would then go to the employer, not the employee, but the employee would not be taxed on the income. This would be advantageous for individuals who do not itemize their deductions.
5. For Businesses that deal in food inventory such as restaurants or grocery stores, they can donate food inventory to a qualified charity that will use the food to care for the ill, needy or infants, and take a deduction of 25% above their cost in the food as a charitable contribution. (Previous law was 15%.)
6. The rules for a Qualified Charitable Distribution from an IRA are unchanged for 2020. For an individual who has reached 70 ½ and the required minimum distribution rules apply, may elect to have up to $100,000 transferred directly to a qualified charity from their IRA without being taxed on the distribution from the IRA. This is advantageous for individuals who do not itemize their deductions on their tax return, and thus would not get any tax benefit from their charitable contributions otherwise.

Retirement Plan Changes:

1. For individuals turning 70½ after July 1, 2019, the required minimum distribution requirement (RMD) has been raised from age 70½ to age 72 (Secure Act).
2. For 2020 the required minimum distribution requirement (RMD), including those being received by a beneficiary, has been waived. For individuals who have already started taking their RMD in 2020, they have until August 31, 2020 to re-contribute those distributions back into their IRA or qualified retirement plan (rollover) to avoid paying taxes in 2020 on those distributions. (CARES Act)
3. For those directly affected by Covid-19 (CARES Act): The 10% penalty for early withdrawal for individuals under age 59 ½ has been waived for distributions up to $100,000. In addition, income attributable to such distributions would be subject to tax over 3 years (one-third each year), or they may recontribute those funds back to an eligible retirement plan within 3 years and qualify for the rollover provisions and not pay income tax on those distributions. The limit on loans from a qualified employer plan (but not IRAs) received between March 27, 2020 to September 22, 2020 has been raised from $50,000 to $100,000, and the repayments on loans may be delayed up to one year. (The employer plan needs to be amended to allow for these new rules on plan loans.)

While these are some of the current tax law changes due to recent legislation, there are many more not listed here. Please visit irs.gov or consult your local tax advisor for more information.

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