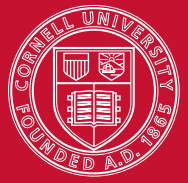


Vested Interest

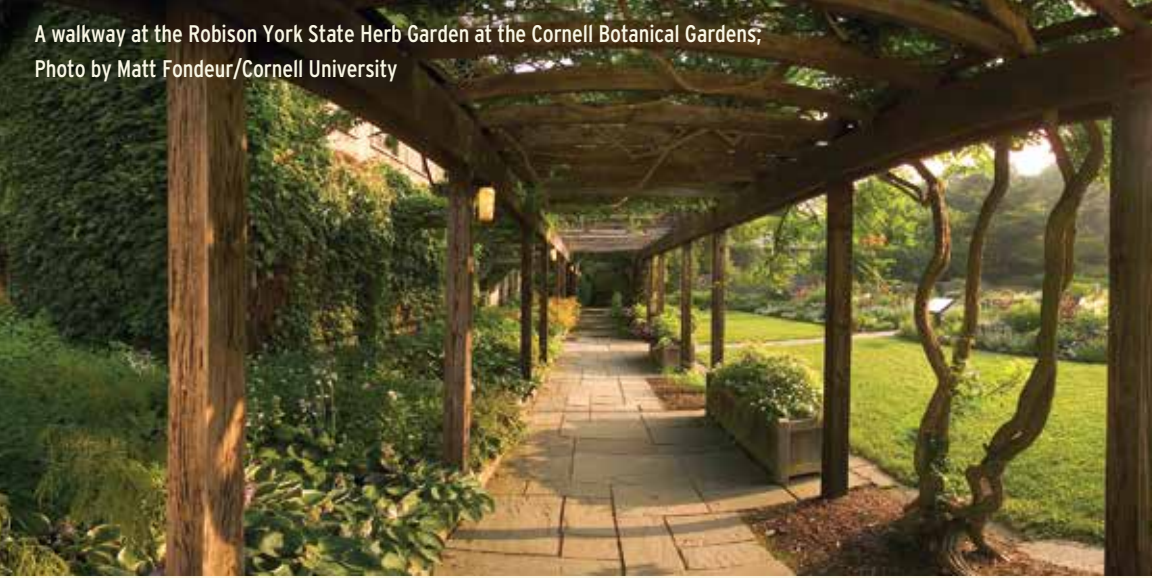


Gift Planning newsletter from Cornell University • Spring 2020

Central campus with Cayuga Lake in the background in summer;
Photo by Lindsay France/Cornell University



**How the new CARES Act
may affect your gift planning**



How the new CARES Act may affect you

Legislation known as the CARES Act was passed by Congress and signed into law by the president on March 27, 2020. The Act, officially named the Coronavirus Aid, Relief, and Economic Security Act, not only funds various health care needs but also provides financial relief for businesses, individuals, and institutions alike.

Cornell's mission to discover, preserve, and disseminate knowledge remains the same despite these unprecedented times. We're providing this newsletter to keep you informed of unique provisions that may benefit donors like you. As always, we are here to help, and remain available and willing to help you plan during this unusual and difficult year. Our newsletter summarizes the following provisions that are effective now in 2020:

- New charitable deduction available for non-itemizers
- Waiver of retirement-plan penalties
- Charitable deduction limits modified for individuals
- Increased charitable deduction limits for corporations
- Required minimum distributions waived

Contact Cornell Gift Planning and your advisors

The CARES Act is several hundred pages long and includes numerous provisions that may financially benefit you. Consult your advisors about these provisions and be in touch with our team to discuss gift-planning opportunities at any time.



our gift planning

New charitable deduction available for non-itemizers

Under the CARES Act, taxpayers who do not itemize their deductions will be able to claim a charitable deduction of up to \$300 for cash donations made in 2020. This means that you could add an additional \$300 to your charity budget this year, recover a portion of it in tax savings, and help charities address extraordinary current needs.

Example: Suppose that you are over the age of 65 and your itemized deductions would total \$12,000. You would claim the standard deduction of \$13,700 rather than itemizing. If you give at least \$300 in cash to qualifying charities this year, you can elect the standard deduction of \$13,700 and also deduct \$300—for total deductions of \$14,000.

Waiver of retirement plan penalties

If you are under the age of 59½ and withdraw money from your retirement plan to cover expenses incurred by you or a family member related to treatment of the coronavirus, the 10% tax penalty will not apply, taxation of the distribution can be spread over three years, and you can add the amount you withdraw to the fund later without regard to contribution limits.

This does not affect charities in the near term, but it does allow retirement funds to be used for an immediate need while enabling retirement accounts to recover and be used in the future for family security or charitable purposes.

Charitable deduction limits modified for individuals

If you made a large cash gift in 2019, you could deduct it only to the extent of 60% of your adjusted gross income. This year, the CARES Act allows you to deduct it to the extent of your entire adjusted gross income.

Example: Suppose you had income of \$300,000 in 2019, but from cash investments you made a cash gift of \$500,000. Your previous deduction limit would have been \$180,000 (60% of \$300,000). In 2020, you can deduct \$300,000. In both cases, the unused amount of the deduction could be carried forward and used to the extent of the limitation applicable to the carryover year.

Planning Pointer 1: Like the \$300 deduction for non-itemizers, the modification of the contribution limit does not apply in the case of gifts for donor-advised funds and supporting organizations. The gifts in most cases must be to public charities like ours.

Planning Pointer 2: In the event you have made a multi-year pledge to a charity, you might want to accelerate payment of the pledge balance in 2020 if you can afford to do so. The charity would have the use of the money sooner—and you could use the deduction more quickly.

Increased charitable deduction limits for corporations

The contribution limit for corporations has been 10% of taxable income. For 2020, that limit has been raised to 25% for cash contributions. The purpose is to enable companies that are doing well in this economy to give more to their communities.

The Act also increases from 15% to 25% the percentage of taxable income certain corporations claim when they contribute food inventory for the needy. This may help replenish depleted food inventories at food banks.

The information contained herein is offered for general informational and educational purposes. The figures cited in the examples and illustrations are accurate at the time of writing and are based on federal law as well as IRS discount rates that change monthly. State law may affect the results illustrated. You should seek the advice of an attorney for applicability to your own situation.

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Required minimum distributions waived

Under the SECURE Act that was enacted this past December, IRA owners and certain participants in qualified retirement plans are required to take distributions beginning at the age of 72. The mandatory beginning age had been 70½. Under the CARES Act, for the year 2020 there will be no mandatory distributions—no matter the age of the account owner.

Many people have seen a precipitous drop in the balances of their retirement funds, and this provision allows those accounts to recover before forcing the liquidation of possibly depressed securities they may hold in order to make required distributions.

The minimum age for making a tax-free transfer from an IRA to a charity remains at 70½, and the annual limit for such transfers remains at \$100,000. However, because of the modification of deduction limits in 2020, one could exceed this limit.

Example: A donor over the age of 59½ with a large IRA balance not needed for living expenses wants to give more of that IRA now but do so without paying taxes. In 2020, the donor withdraws \$500,000 from the IRA and then contributes it to charity. This adds \$500,000 to adjusted gross income, but the donor can deduct the entire \$500,000 since charitable gifts in 2020 are deductible to the full extent of adjusted gross income. The deduction offsets the taxable income, which is the equivalent of a tax-free charitable rollover.

Sailing on Cayuga Lake; Photo by Robert Barker/Cornell University



Join the Cayuga Society today!

Planned gifts are the ultimate expression of confidence in Cornell and will last for generations. It is fitting to recognize members in a society named for Cayuga Lake, the body of water that is an enduring part of the university's history and geography.

Find out more or let us know if you have provided for Cornell in your estate plan. Visit Cornel.ly/joincayuga or call (800) 481-1865.

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Contact us today!

Office of Trusts, Estates, and Gift Planning
(800) 481-1865 or (607) 254-1550
gift_planning@cornell.edu
Cornel.ly/giftplanning

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