

Legislation known as the CARES Act (Coronavirus Aid, Relief and Economic Security Act) is designed to assist the economy from the effects of COVID-19, which was passed by Congress and signed into law by President Trump on March 27, 2020. The following is a short summary of how the CARES Act may impact our donors.

New Charitable Deduction for Non-Itemizers:

Taxpayers who take the standard deduction (\$12,000 for individual filers; \$18,000 for head-of-household filers; and \$24,000 for married individuals filing a joint return) will be able to claim a charitable deduction of up to \$300 for cash donations to qualifying 501(c)(3) organizations, such as NSU, made in the calendar year 2020. ***This charitable deduction would be listed on the 2020 tax return, filed by April 15, 2021. This is expected to continue after tax year 2020.***

Higher Deduction Limits for Itemizers:

Taxpayers who itemize deductions will be able to claim charitable contributions to the extent of their entire adjusted gross income to qualifying 501(c)(3) organizations, such as NSU, made in 2020. Also, the deduction limit for corporations has been raised from 10% to 25% of taxable income. ***This charitable deduction would be listed on the 2020 tax return, filed by April 15, 2021. This is only in effect for tax year 2020.***

Required Minimum Distributions (RMD) Waived in 2020:

For the year 2020, mandatory distributions from retirement accounts are waived, thus allowing such accounts to recover, since such distributions are based on the December 31, 2019 balance of such retirement accounts.

IRA Charitable Rollover:

The rules for the IRA Charitable Rollover remain the same. However, for those taxpayers who itemize, an individual could, in essence, withdraw and then contribute a larger amount to a qualifying 501(c)(3) organization, with the deduction offsetting the taxable withdrawal.

Waiver of Penalties When Retirement Funds are Used for COVID-19 Purposes:

If a taxpayer is under the age of 59 ½ and withdraws funds from his/her retirement plan to cover expenses incurred by himself/herself and/or family members related to treatment of COVID-19, the 10% tax penalty will not apply. Further, the taxation of such distribution can be spread out over three years, and the amount withdrawn can later be added without any contribution limits. These penalty-free distributions are limited to a maximum of \$100,000 and must be taken by December 31, 2020.

For more information, please contact:

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This summary is for informational purposes only. Individuals are urged to consult with their personal tax and financial advisors.