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The CARES Act, passed earlier this year for COVID-19 relief, includes incentives for charitable giving. For the 2020 tax year only, there are additional tax benefits for donating.

Of particular interest is the increase of the adjusted gross income (AGI) limitation to 100%. Previously, deductions for cash donations were limited to 60% of AGI. Under the CARES Act, cash donations to public charities – other than DAFs and supporting organizations – can fully offset AGI.

That increased benefit certainly helps put cash towards charitable uses. However, there is also a way to leverage this one-year rule for donations of S-corporation stock. The CARES Act did not change the 30% AGI deduction limitation for noncash donations like S-corp stock. And of course, charities remain subject to UBTI tax on all S-corp income and gain.

However, imagine a **charity in trust form that accepted and sold an S-corp donation**. If it then made a **cash grant to a qualifying charity in 2020, it would be able to take a 100% deduction against its UBTI (Unrelated Business Taxable Income)**. This makes 2020 an excellent year to contribute S-corporation stock that is nearing liquidity. Assuming a donation, sale, and grant by December 31st, there could be meaningful UBTI offsets that effectively cancel the charity's tax liability.

This strategy is entirely about increasing charitable dollars. Although there are no additional tax advantages for the donor contributing S-corp stock, there are significant savings in terms of cash available for grantmaking. Even a trust-form DAF still has UBTI exposure from donated S-corp interests in normal years, but in 2020 that is less of a concern with the increased deduction limitation under the CARES Act. Our Dechomai Asset Trust, a trust-form DAF, was formed in 2008 to receive UBTI assets and has completed over \$800 million in these donations.

Taking the strategy a step further, it could even be applied to charitable gift annuities. Normally, it is prudent to reduce the annuity amount to account for the UBTI liability due on the S-corp sale. However, that can likely be avoided for 2020 S-corp CGAs. This is because the charity should be getting a 100% deduction for its grants to other charities. Assuming the charity is not otherwise utilizing the deduction, this would provide additional flexibility for S-corp CGAs.