



Your Guide to the Tax Benefits of the **CARES Act**

In response to the health crisis facing our nation, Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act in March 2020. Designed to provide financial relief for businesses, nonprofits and individuals facing economic hardship during the COVID-19 pandemic, the CARES Act includes provisions that impact charitable giving. Five key provisions of the CARES Act are beneficial not only to organizations like the Wayne State University School of Medicine and its fundraising efforts, but also to donors and their philanthropic goals:

- **Required Minimum Distributions Suspended**
- **Waiver of Retirement-Plan Penalties for Purposes Related to COVID-19**
- **Increased Charitable Deduction Limits for Corporations**
- **New Charitable Deduction Available for Non-Itemizers**
- **Charitable Deduction Limits Modified for Individuals**

Required Minimum Distributions Suspended

The new CARES Act legislation temporarily suspends all required minimum distributions (RMD) of IRA owners and participants in retirement plans for the 2020 tax year, no matter the age of the account owner. As many people have seen a drop in the balance of their retirement funds, this provision allows for the balance to recover before forcing liquidation of depressed securities. The minimum age for making a tax-free transfer to a charity remains at 70 1/2, and the annual monetary limit for these transfers continues to be \$100,000. However, charitable gifts over this amount are deductible to the full extent of adjusted gross income. The deduction offsets taxable income, which is the equivalent of a tax-free charity rollover.

Waiver of Retirement-Plan Penalties for Purposes Related to COVID-19

Those younger than 59½ must ordinarily pay a 10% early withdrawal tax penalty, in addition to regular income tax, when they remove money from a traditional IRA, 401(k) or 403(b) retirement account. The new law waives that 10% penalty on distributions up to \$100,000 that are made during 2020. If you experience adverse financial consequences as a result of COVID-19 treatment, being quarantined, furloughed or laid off, or having work hours reduced, you may qualify for relief under the law.

Account holders have three years to repay the withdrawn amounts before federal tax consequences kick in, and they still owe income taxes on withdrawn amounts that are not repaid. The law also contains no limitations on how the funds can be used during the three-year period.



Increased Charitable Deduction Limits for Corporations

The percentage limitation on corporate income tax charitable deductions increased from 10% to 25% of taxable income for 2020. The purpose is to enable companies that are doing well to give back to their community. The CARES Act also raises the applicable limits on the amount of the allowed deduction for food inventory from 15% to 25% for the taxable year, encouraging donations of food to organizations that provide for those in need. The W Food Pantry is the on-campus resource that supports currently enrolled students by providing resources to reduce food and other insecurities they may face. To learn more about The W, visit thew.wayne.edu or contact Rainesha Williams-Fox at rai@wayne.edu, 313.577.2743.



New Charitable Deduction Available for Non-Itemizers

For those individual taxpayers who no longer itemize their charitable giving, the CARES Act allows charitable donations up to \$300 to be deducted on their 2020 federal tax return, even though they take the standard deduction. Married-filing-jointly taxpayers will get an above-the-line deduction of up to \$600. This means that you could add an additional \$300-600 to your charity budget this year, recover a portion of it in tax savings, and assist the School of Medicine in addressing urgent, unprecedented needs.

Charitable Deduction Limits Modified for Individuals

The CARES Act temporarily modified the percentage limitations on the income tax charitable deduction for cash contributions to certain charities available to individuals who are itemizers. Those itemizers who made a large cash gift in 2019 could deduct it only to the extent of 60% of their adjusted gross income. For 2020, it is now raised to the full extent of donors' adjusted gross income. This provision is very favorable to those who wish to make large cash contributions in 2020, the deductibility of which might otherwise have been curbed due to the percentage limitations.

Your Charitable Goals

The Wayne State University School of Medicine will receive some federal funding through the CARES Act, but it is not enough to meet the increasing financial concerns of our students.

And while immediate expenses require urgent support, the SOM continues to rely on generous donors to help fund long-term priorities, including student success initiatives, research projects and community partnerships.

We are deeply grateful for your continued kindness during this difficult time. Please contact the School of Medicine Office of Development and Alumni Affairs at developmentoffice@med.wayne.edu or 313.577.9374 to discuss how your gift can help further our mission.