

Your legacy: Charitable giving is vital during the COVID-19 crisis

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The novel coronavirus (COVID-19) pandemic and the resulting economic fallout is dealing a crushing blow to charitable organizations. Indeed, during a time when food banks, disaster relief and other nonprofit services are needed most by the public, their funding is suffering due to cancelled fundraising events and other factors.

If philanthropy is an important part of your legacy, now is a good time to make as many donations as possible. Your gifts reduce your taxable estate, and the Coronavirus Aid, Relief, and Economic Security ("CARES") Act has expanded charitable contribution deductions.

CARES Act incentives

Individual taxpayers can take advantage of a new above-the-line \$300 deduction for cash contributions to qualified charities in 2020. "Above-the-line" means the deduction reduces adjusted gross income ("AGI") and is available to taxpayers regardless of whether they itemize deductions.

The CARES Act also loosens the limitation on charitable deductions for cash contributions made to public charities in 2020, boosting it from 60% to 100% of AGI. No connection between the contributions and COVID-19 is required. However, to qualify for the 100% of AGI limit, the cash contributions cannot be made to Donor Advised Funds or private foundations because the incentive is to get cash to charities immediately.

Place restrictions on contributions

Before making donations, it's wise to take steps to ensure that they're used to fulfill your intended charitable purposes. Outright gifts may be risky, especially large donations that will benefit a charity over a long period of time.

Even if a charity is financially sound when you make a gift, there are no guarantees it won't suffer financial distress, file for bankruptcy protection or even cease operations down the road. The last thing you likely want is for a charity to use your gifts to pay off its creditors or for some other purpose unrelated to the mission that inspired you to give in the first place.

One way to help preserve your charitable legacy is to place restrictions on the use of your gifts. For example, you might limit the use of your funds to assisting a specific constituency or funding medical research. These restrictions can be documented in your will or charitable trust or in a written gift or endowment fund agreement.

In addition to restricting your gifts, it's a good idea to research the charities you're considering, to ensure that they use their funds efficiently and effectively. One powerful online research tool is the IRS's Tax Exempt Organization Search. The tool provides access to information about charitable organizations, including Form 990 information returns, IRS determination letters and eligibility to receive tax-deductible contributions. Some other online research tools are Charity Navigator and Guidestar.

Doing your part

During this time of national emergency, charitable organizations need your donations more than ever as demand on them is on the rise. Making gifts benefits your overall estate plan by reducing your estate's size, and the CARES Act provides additional charitable giving incentives. Please contact us for help in making charitable gifts through your estate plan.

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