

FARM Library

Financial and Risk Management Database

Improving farm management skills one topic at a time

August 2020

Feeling Charitable in 2020?

As we all know, the Cares Act brought about a lot of changes. Many of these are creating tax planning opportunities for the 2020 tax year. Two of these beneficial changes are in regards to charitable giving.

Most farmers do not itemize deductions because they do not have enough qualifying expenses to beat the standard deduction of \$24,800 for a married couple. For the 2020 tax year, the Cares Act is allowing a charitable giving deduction of up to \$300 for those using the standard deduction. If you make cash donations in 2020, be sure to let your consultant know. If you make a donation of over \$250, be sure to keep the letter from the organization that states your donation.

For those of you that routinely itemize either every year or every other year, the 2020 charitable deduction limit has been raised from 60% of AGI to 100% of AGI for most donations. For corporations, the limit has been increased from 10% of taxable income to 25%. Because not all donations qualify, please check with your consultant on who you can give to before taking advantage of this increased deduction.

Have you been donating your required minimum distribution from your retirement account? Many people over 70 ½ have taken advantage of the tax strategy of donating their required minimum distribution (RMD) to charity, called a QCD (Qualified Charitable Distribution). In order to do a QCD, talk to your investment advisor, as the retirement company writes the check to the charity. In addition, be sure to tell your consultant if you do a QCD, as the 1099R does not give us this information. Although the 2020 the RMD has been waived, you can still donate your distribution to charity. Passed at the end of 2019, the SECURE Act changed the age you must begin to take a RMD at from 70 ½ to 72, however you can do a donation through your retirement at age 70 ½. Why would you want to do this? For those who give to their church or favorite charity every year, it reduces not only your taxable income, but also your adjusted gross income. Your adjusted gross income is used to calculate the percentage of your Social Security that is taxable, as well as the cost of your Medicare premiums.

If you are considering any special giving, 2020 may be a good year to do so. Talk to you consultant to see how you may qualify.