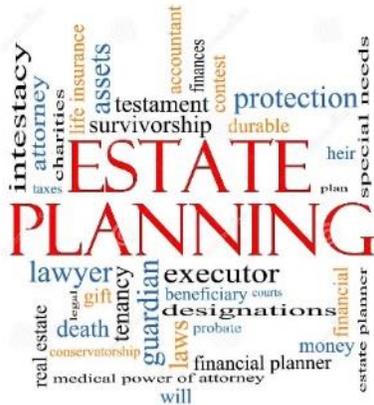


Paul Hood Column Summer 2020

What are the effects of the CARES Act on my taxable income?



Will I have to pay income tax on the \$1,200

stimulus check? No, you won't have to pay income tax on your stimulus payment, according to the IRS website, which has many very helpful answers to questions. The CARES Act provision is complex, but the simple answer is that you won't owe income tax on your stimulus payment.

What is the difference implicated by the suspension and relaxation of cash gifts

to charities? If you will recall, the deductibility of gifts to qualified charities has been subject to percentage of adjusted gross income (AGI) limitations for over 50 years. The Tax Cuts & Jobs Act increased the percentage limitation on cash gifts to public charities from 50% to 60% until 2025. However, the CARES Act increases that particular limitation to 100% of AGI for 2020 only. It's unclear whether you can make a gift of cash in 2020 to an existing donor advised fund and get the 100% limitation, so I'd avoid that until further guidance is provided. The other percentage limitations for gifts of property other than cash to public charities and private foundations remain the same.

What are the changes in suspension of qualified plan RMD? The CARES Act suspends RMDs from almost all retirement plans for 2020. As a result, neither employees, IRA owners, nor beneficiaries will be required to take a 2020 RMD. Even 2019 RMDs that were deferred into 2020 (by individuals who turned 70½ in 2019) are apparently suspended, although this isn't as clear as it should have been.

For those who have already taken all or part of their 2020 RMD, employees and IRA owners may be able to "roll" those distributions back into their plan or IRA, but beneficiaries of IRAs

and qualified plans generally are barred from doing so. As a result, the QCD made to count toward a RMD isn't necessary in 2020. However, that's not why the majority of IRA owners give QCDs to a qualified public charity. For most, the reason why they authorize QCDs is because they're charitably inclined and want to support the mission of a worthy qualified public charity, e.g., Sisters of St. Francis, Sylvania OH, with a meaningful gift.

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