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OBSERVATIONS

CARES Act – Tax Provisions for Individuals

December 1, 2020

As the calendar year is coming to an end and taxpayers are considering charitable giving, we wanted to send out a quick reminder that the Coronavirus Aid, Relief, and Economic Security (CARES) Act, H.R. 748 contained a tax provision relative to 2020 charitable donations made by individual taxpayers as follows;

“Above the Line” Charitable Deductions for Taxpayers Who Claim a Standard Deduction

The bill provides for several temporary tax changes one of those being that an individual taxpayer can claim an "above-the-line" deduction of up to \$300 for cash donations made to charity during 2020. This is an allowed deduction in addition to your standard deduction and only for those taxpayers who do not elect to itemize. For taxpayers who do itemize deductions, charitable donations can be deducted in any amount up to 100% of your adjusted gross income.

Cash donations include any made by check, credit card or debit cards. Donations such as securities, household items or other personal property are not eligible for the above the line deduction. Also, donations to donor-advised funds do not qualify for this deduction.

For a donation to qualify, it will need to be made to an approved tax-exempt organization. You can verify the organization is approved by using the IRS tool at <https://www.irs.gov/charities-non-profits/tax-exempt-organization-search>.

Taxpayers will also need to keep good documentation to support deductions by obtaining a receipt or acknowledgement letter from the charity, and retaining a cancelled check or credit card receipt.
