

# FIGHT COVID-19

## TIPS FOR SUPPORTING NONPROFITS PROVIDING CRITICAL AID

By Gordon Fischer and Mackensie Graham

**A**s COVID-19 has spread across the state of Iowa and people are practicing social distancing and quarantining, there is no doubt the social fabric of our communities has been altered. Normally busy streets are silent, people are facing layoffs across industries, the healthcare system is stressed to its limits and nonprofits—particularly those engaged in providing social services—are having to make incredibly difficult decisions. These pressures and disruptions are challenging nonprofits' typical way of operating when “business as usual” is not possible for the foreseeable future.

An overwhelming demand for services has intersected with nonprofits having to cancel fundraising campaigns and events that underwrite the services they provide. The recent influx of people from all demographic groups who are facing food insecurity and seeking medical services has stressed the capacity of many nonprofit budgets that are not equipped to expand services.

When it comes to supporting nonprofits at this unique time, it's not easy to know where to start; there are some important best practices to keep in mind for your own charitable giving and in advising clients who are seeking guidance.

### 1 DOUBLE-CHECK THE ORGANIZATION'S STATUS

Even with the heightened standard deduction, the federal income tax charitable deduction still matters to many donors. Before the donation is made, confirm the organization is a qualified charitable one. The IRS' Tax Exempt Organization Search online tool is useful for this.

### 2 KNOW THE CARES ACT

The “Coronavirus Aid, Relief, and Economic Security” (CARES) Act aims to encourage charitable giving by revisiting tax

incentives. Under this Act, deductions on individuals' cash gifts to public charities that had previously been limited to 60 percent of adjusted gross income (AGI) has been suspended for the tax year—effectively raising deductions to 100 percent of AGI. (Gifts to donor-advised funds, supporting organizations and private foundations do not qualify for the heightened deduction.) Taxpayers who take the standard deduction are permitted to deduct an additional \$300 for cash contributions to nonprofits. For corporations, the deduction for charitable gifts increased from 10 to 25 percent of taxable income. The Act also increased deductions on food contributions from 15 to 25 percent. Additionally, the CARES Act includes three distinct loan programs that charitable nonprofits can apply for.

### 3 CONSIDER DIFFERENT ASSETS THAN CASH

When we talk about philanthropy, the first impulse tends to be writing a check, but there are many different tax-wise strategies that can take advantage of your most valuable assets to benefit a nonprofit. Assets like bonds and farmland, among many others, can make for a not-so-obvious yet still tax-smart donation. Check with the intended beneficiary organization and confirm that it is ready and able to administratively handle this type of gift. For gifts of long-term capital gain property (generally speaking, property owned for more than a year), the donor can generally claim a federal income tax charitable deduction for the fair market value of the property at the time of the donation.

Another tool that can be advantageous is the IRA charitable rollover. Individuals 70½ years and older can elect to make a direct transfer of up to \$100,000 per year (\$200,000 for married couples) from an individual retirement account to a public charity. This allows

the IRA owner/donor to fulfill required minimum distributions without having to include the transfers as income with regard to federal and Iowa taxes.

### 4 SUPPLY WHAT'S NEEDED

If you are donating tangible goods, again, check with the intended charitable organization. Storage space may be limited, and assessments of need will drive requests.

### 5 KEEP RECORDS

For both monetary and in-kind donations, keep receipts and other documentation, such as acknowledgments from recipient organizations.

### 6 AVOID SCAMS

Sidestep scams by quickly hanging up on suspicious robo-calls about COVID-19 and don't download or click links in emails from contacts you don't know. Also, be alert to pleas for donations from individuals seeking wire transfers, gift cards or cash. (Also keep in mind personal solicitations from individuals, rather than qualified charities, will not be deductible on income taxes). Some qualified charitable organizations may choose to use crowdfunding websites but, again, be sure to double check the organization's legitimacy.

### 7 BEYOND STATE BORDERS

If you would like to assist beyond America's borders, check out Charity Navigator's website, which features an updated list of highly rated, vetted nonprofits providing medical services, relief supplies and funding to the global community.

If you're healthy and able, now is the time to step up and help local, state and national organizations provide vulnerable populations with essential services.