Coronavirus Economic Relief and Omnibus Spending Bill - Tax Deductions

As part of the new Coronavirus Relief bill there are further changes to the tax benefits to encourage charitable giving in 2021. These changes are good news for trustees, directors and senior staff and can help encourage gifts to our beloved museums in 2021.

$300 and $600 Cash Contribution Deduction

This bill continues the deduction for those who do not itemize at $300 for individuals and 
ADDS a $600 deduction for couples filing jointly.

Enhanced Charitable Contribution Limits for Individuals and Corporations

This new bill extends the enhancements from the 2020 CARES act for the year 2021.

To review:

Individuals who itemize will be eligible for a deduction of up to 100% of AGI in 2021 for their charitable cash gifts. Note: Private foundations and donor advised funds are excluded.

Corporations will be able to deduct 25% of taxable income for charitable contributions.

This new bill does state the penalty for overstating your deductible contributions is increased from 20% to 50% of the under paid tax. As a reminder, the IRS requires you to keep a record of any charitable donation of $250 or more that you deduct from your taxes. This 30% increase in the penalty is due to legislators wanting to crack down on taxpayers who fudge the amount they give to charity.

With all this incentive to give back, note that the second draw of PPP loans will be much harder for museums to receive. If a museum employs over 300 people they are excluded and the PPP loan is limited to $2 million per organization. If this is a second-round loan the organization must prove a 25% drop in revenue in a quarter. Therefore, your favorite organization may have received a first round PPP loan, but might not in the second round.

Knowing that we have an extension and increase in incentives to give back this year, consider both your giving ability and which museums are most meaningful to you and your community. Let’s all make 2021 a year of giving!