



TaxNewsFlash

Exempt Organizations

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Legislative update: Year-end funding and COVID relief legislation; charitable giving provisions extended, expanded

After months of negotiation and wrangling over additional coronavirus (COVID-19) pandemic relief legislation, House and Senate leaders struck a bipartisan funding deal over the weekend.

The massive [year-end deal](#) [PDF 8.43 MB] (5,593 pages) includes over \$900 billion for various COVID relief programs, government funding of \$1.4 trillion, as well as a bevy of tax provisions.

Included in the tax provisions are a number of items directly related to COVID relief such as a provision allowing recipients of Paycheck Protection Program (PPP) loans to deduct associated costs. Similarly, the bill extends the employee retention credit originally enacted in the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) to July 1, 2021, and expands the credit by increasing the credit percentage from 50% to 70%, increasing the per employee limitation, and broadening the definition of eligible employers.

Charitable giving provisions

The bill would extend into 2021 several provisions in the CARES Act that increase incentives for charitable giving. In particular, the bill would extend into 2021 the “above the line” charitable contribution deduction for non-itemizers, with a cap of \$300 for individuals and, now, up to \$600 for joint-return filers (while at the same time adding an enhanced penalty for understatements attributable to this deduction).

The bill would also extend into 2021 an increase in the limitations for certain charitable contribution deductions—to up to 100% of adjusted gross income for non-itemizing individuals and up to 25% of taxable income for corporations. As under the CARES Act, both the above-the-line deduction and the increased limitations would require the contribution to be made in cash and to a public charity or foundation described in section 170(b)(1)(A), other than a supporting organization or a donor advised fund (DAF).

An increase in the percentage limitation applicable to certain donations of food inventory (namely, those that are eligible for an enhanced charitable deduction) would likewise be extended to donations made in 2021.

Disaster relief

The legislation would also permit corporations that make certain “qualified disaster relief contributions” to deduct up to 100% of their taxable income. For these purposes, a “qualified disaster relief contribution” would have to meet all of the requirements for the increased limitations discussed above and, in addition, would have to be: (1) paid, during the period beginning on January 1, 2020, and ending 60 days from the date of enactment; (2) made for relief efforts in one or more qualified disaster areas; and (3) substantiated by a contemporaneous written acknowledgment that states the contribution was used (or is to be used) for disaster relief efforts.

Education measures

Other provisions that affect exempt organizations include allocations for the Higher Education Emergency Relief Fund that would reduce allocations for educational institutions paying excise tax under section 4968 by 50% and restrict the use of the funds by such institutions.

Read a summary of the legislation: [TaxNewsFlash](#)

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