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Expanded tax benefits help individuals and businesses give to charity in 2021

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Recent legislation includes several provisions to help individuals and businesses who [give to charity](#). The new law generally extends four temporary tax changes through the end of 2021. Here's an overview of these changes.

Deduction for individuals who don't itemize

Usually taxpayers who take the standard deduction cannot deduct their charitable contributions. The law now permits taxpayers to claim a limited deduction on their 2021 federal income tax returns for cash contributions they made to certain qualifying charitable organizations.

These taxpayers, including married individuals filing separate returns, can claim a deduction of up to \$300 for cash contributions to qualifying charities during 2021. The maximum deduction is \$600 for married individuals filing joint returns.

Cash donations

Most cash donations made to charity qualify for the deduction. However, there are some exceptions. Cash contributions that are not tax deductible include those:

- Made to a [supporting organization](#)
- Intended to help establish or maintain a [donor advised fund](#)
- Carried forward from prior years
- Made to most private foundations
- Made to charitable remainder trusts

These exceptions also apply to taxpayers who itemize their deductions.

Cash contributions include those made by check, credit card or debit card as well as unreimbursed out-of-pocket expenses in connection with volunteer services to a qualifying charitable organization. Cash contributions don't include the value of volunteer services, securities, household items or other property.

100% limit on eligible cash contributions made by taxpayers who itemize deductions in 2021

Taxpayers who itemize can generally claim a deduction for charitable contributions to qualifying organizations. The deduction is typically limited to 20% to 60% of their adjusted gross income and varies depending on the type of contribution and the type of charity.

The law now allows taxpayers to apply up to 100% of their AGI, for calendar-year 2021 qualified contributions. Qualified contributions are cash contributions to qualifying charitable organizations.

The 100% limit is not automatic; the taxpayer must choose to take the new limit for any qualified cash contribution. Otherwise, the usual limit applies. The taxpayer's other allowed charitable contribution deductions reduce the maximum amount allowed under this election. Eligible individuals must make their elections on their 2021 Form 1040 or Form 1040-SR.

Corporate limit increased to 25% of taxable income

The law now permits C corporations to apply an increased corporate limit of 25% of taxable income for charitable cash contributions made to eligible charities during calendar year 2021. The increased limit is not automatic. C corporations must choose the increased corporate limit on a contribution-by-contribution basis.

Increased limits on amounts deductible by businesses for certain donated food inventory

Businesses donating food inventory that are eligible for the existing enhanced deduction may qualify for increased deduction limits. For contributions made in 2021, the limit is increased to 25%. For C corporations, the 25% limit is based on their taxable income. For other businesses, including sole proprietorships, partnerships, and S corporations, the limit is based on their total net income for the year. A special method for computing the enhanced deduction continues to apply, as do food quality standards and other requirements.

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