

# Charitable Income Tax Deduction Ordering Rules

For individuals that make multiple types of charitable gifts in a given year, there is an ordering system for determining the amounts that are deductible in the current year and the amounts that are carried forward to the following year.

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[Note: For the year 2020 only, the CARES Act allows for cash donations, up to 100% of AGI, to an “end charity” (not DAF, Private Foundation or Community Organization) to be deducted, up from the 60% standard. The CARES Act also allows for a 300 above the line deduction for a cash contribution of the same type for those who are unable to itemize their deductions.]

## ORDERING RULES

The IRS has established an ordering system to determine the charitable deduction available and the carry forward deduction that may be used in the following years. According to IRS Publication 526, the ordering rules are applied as follows:

1. Contributions subject only to the 60% limit, up to 60% of your adjusted gross income
2. Contributions subject to the 30% limit, up to the lesser of:
  - a. 30% of adjusted gross income
  - b. 60% of adjusted gross income minus the contributions to 60% limit organizations, including contributions of capital gain property subject to the 30% limit
3. Contributions of capital gain property subject to the 30% limit, up to the lesser of:
  - a. 30% of adjusted gross income
  - b. 60% of adjusted gross income minus the contributions to 60% limit organizations
4. Contributions subject to the 20% limit, up to the lesser of:
  - a. 20% of adjusted gross income
  - b. 30% of adjusted gross income minus the contributions to 30% limit organizations
  - c. 30% of adjusted gross income minus contributions of capital gain property subject to the 30% limit
  - d. 60% of adjusted gross income minus the contributions to 60% limit organizations and contributions subject to the 30% limit
5. Qualified Conservation Contributions (QCCs) subject to the 60% limit, up to 60% of adjusted gross income minus any contributions in (1)-(4)

Baird does not offer tax or legal advice. Please consult your tax professional or attorney to discuss your individual situation.

6. Qualified Conservation Contributions (QCCs) subject to the 100% limit for farmers and ranchers, up to 100% of adjusted gross income minus any contributions in (1) through (5)

Below is an example:

- Facts
  1. Adjusted Gross Income of \$50,000
  2. \$2,000 of cash is gifted to a Public Charity
  3. \$28,000 (fair market value) of land (with a cost basis of \$22,000) is gifted to a Public Charity
  4. \$5,000 of cash is gifted to a Private Foundation
- Ordering Rules Application
  1. \$2,000 of cash to a Public Charity is subject only to the 60% limit, up to 60% of your adjusted gross income
  2. \$5,000 of cash to a Private Foundation is subject to the 30% limit, up to the lesser of:
    - a. 30% of adjusted gross income (15,000)
    - b. 60% of adjusted gross income minus the contributions to 60% limit organizations, including contributions of capital gain property subject to the 30% limit

Since the contributions to 60% limit organization (\$2,000 cash and \$28,000 land) is equal to or greater than the 60% of AGI (\$30,000) limit, the \$5,000 cash to a Private Foundation is not deductible in the current year and must be carried forward
  3. \$28,000 (fair market value) of land Contributions of capital gain property subject to the 30% limit, up to the lesser of:
    - a. 30% of adjusted gross income (15,000)
    - b. 60% of adjusted gross income minus the contributions to 60% limit organizations

The land is then limited to a \$15,000 deduction (30% of \$50,000) for the current year and \$13,000 carried forward.
  4. The current year charitable income tax deduction would be \$17,000 and the carry forward charitable income tax deduction would be \$18,000

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