

# Rules for deducting charitable contributions.

The rules for charitable deductions have become much stricter than in past years.

## For Cash and Credit Card Contributions

No deduction will be allowed for contributions of cash, checks, or other monetary gifts, *regardless of the amount*, unless you have either 1) a bank record (canceled check), 2) a receipt, letter or other written communication from the charity, indicating the charities name, contribution date and amount.

For contributions of \$250 or more must be substantiated by a contemporaneous written acknowledgement from the charity. A separate acknowledgment must be provided for each contribution of \$250 or more, or one acknowledgment such as an annual summary, may be used to substantiate several single contributions of \$250 or more. Separate contributions of less than \$250 will not be aggregated. Contemporaneous means that the donor must receive the acknowledgement by **the earlier** of: the date the donors actually files his or her return or the due date (including extension(s)) of the return.. Generally the acknowledgement must contain the following;

1. Name of the organization
2. Amount of the contribution
3. Description (but not the value) of any non-cash contribution
4. A statement that no goods or services were provided by the organization in return for the contribution
5. A description and good faith estimate of the value of goods or services, if provided by the organization in exchange
6. A statement that good or services, if any, that an organization provided consisted entirely of intangible religious benefits..

## For Non-Cash Contributions

Donations of clothing or household items that are not in “good” used condition or better will only be allowed if the item has a value of more than \$500 and a qualified appraisal is attached to the return. The donation of qualified vehicle (car, truck, boat or aircraft) valued at over \$500 must be substantiated with a form 1098-C issued by the charity. The form 1098 must be attached to the tax return.

For donations with a value of less than \$250 you must have a receipt from the charity indicating the charity's' name, the date and location of the donation, and a detailed description of each donated item (the value is not required to be on the receipt).

For donations with a value of \$250 or more must be substantiated by a contemporaneous written acknowledgement from the Charity. Generally the acknowledgement must contain a detail description of the item contributed and a good-faith estimate of the value of any goods or services received in exchange for the contribution.

For donations of more than \$5,000, in addition to the above substantiation, must attach a qualified appraisal to the tax return.

## **Vehicle Donations**

You must have a written contemporaneous acknowledgement for all contributions over \$250. Generally, if the charity sells your vehicle, your deduction is limited to the gross proceeds the charity receives from the sale. In addition to the written contemporaneous acknowledgement previously discuss, your statement must also contain the following;

1. A statement certifying that the vehicle was sold in an arm's length transaction, between unrelated parties
2. The date the vehicle was sold
3. The gross proceeds received from the sale
4. A statement that your deduction may not exceed the gross proceeds from the sale.

Exception to the above requirements;

Charity intends to make a significant intervening use of the vehicle

Requires a statement containing the following;

1. Statement describing intended use and duration
2. Statement that the vehicle will not be sold before completion of use.

Charity intends to make a material improvement to the vehicle

Requires a statement containing the following;

1. Statement certifying and describing the charity intends to make improvements
2. Certification that the vehicle will not be sold prior to the completion of the improvements.

Charity intends to give or sell the vehicle to a needy individual at a price significantly below fair market value.

Requires a statement containing the following;

1. Statement certifying the intent of the give and that the gift is in furtherance of the charity's charitable purpose of providing for those in need of transportation.

This exception will not apply if the charity merely applies the proceeds of the sale to a needy individual directly.

Last exception: The vehicle is sold for \$500 or less. If this is the case, you may deduct the lesser of the vehicles fair market value on the date of contribution or \$500

Important: You must receive the Form 1098-C, Contribution of Motor Vehicles, Boats and Airplanes within 30 days of the sale. This form must be attached to your return.

You should file the appropriate forms with your state department of motor vehicle and remove the vehicle license plates, prior to donation.

## **DO NOT INCLUDE ANY CONTRIBUTIONS THAT DO NOT COMPLY WITH THE ABOVE RULES ON THE ORGANIZER**

### **Value**

If a charitable contribution is made in property, the amount of the contribution is normally the fair market value of the property at the time of the contribution. The fair market value is generally regarded as the price at which the property would exchange between a willing buyer and a willing seller, with both having reasonable knowledge of the relevant facts.

### **Benefits Received**

If the taxpayer receives some benefit in return for payment to a charitable organization, the deduction is reduced by the value of the benefit received.

When a charitable organization sponsors charity events and events of this nature, it is a presumption that the price of admission is not a gift, and that the payment is for an item of value. The burden of proof is generally on the taxpayer to show that the amount paid exceeds the fair market value of any admission to such an event.

The fact that the full payment or a portion of the payment made by the taxpayer is used by the organization exclusively for charitable purposes has no bearing upon the determination to be made as to the value of the admission or the amount qualifying as a contribution. This is because even though the taxpayer has given money to a charitable organization, that organization has given the taxpayer admission to an event that may be worth the same value as the donation.

### **University Donations**

Taxpayers who make a payment to a college or university for the right to purchase tickets to an athletic event are entitled to deduct only 80 percent of the payment as a charitable deduction regardless of whether the tickets would have been available without making the payment.

## **Unreimbursed Expenses**

Unreimbursed expenses which were paid to render services to a charitable organization may constitute a deductible contribution. These expenses include expenditures for meals and lodging while away from home in the course of performing donated services. If a donor incurs expenses of \$250 or more in a single event, then the donor must request a contemporaneous written acknowledgement from the organization.

## **Automobile Expenses**

Automobile expenses while traveling to perform charitable services are deductible according to the IRS. The rate is based upon the year and the mileage driven.. The mileage driven is what will be needed to prepare your return(s).

In addition, a taxpayer can add both parking fees and tolls to either method that is used for the expenses.

To verify that an organization is a charity qualified to receive tax deductible contributions, use the “EO Select Check” tool on the IRS website <http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check> You may also verify an organization’s status by calling (877)-829-5500.