

**“Contributions to your favorite charities can be a great way to reduce your taxes... and you’ll feel good about yourself, too!”**

— Jackie Perlman, CPA, Senior Tax Research Analyst

## CHARITABLE GIVING

Remember that if you’ve made donations of money or property to a charity, your donations are most likely tax deductible.

Qualified organizations are those that have been approved to receive tax deductible contributions. They include:

- religious institutions and organizations
- federal, state and local governments
- nonprofit schools, hospitals and volunteer fire companies
- public parks and recreational facilities
- museums
- charities such as the Red Cross and the American Heart Association
- war veterans’ groups

### How Much Can I Deduct for Items I donate?

Your deduction for a contribution of property is generally limited to the lesser of (1) what you

paid for the property, or (2) the property’s fair market value (FMV) when you donate it.

### AGI Limitations

The amount of charitable contributions you are allowed to deduct may be limited based on your adjusted gross income (AGI). AGI limitations vary depending on the organization you contribute to and whether the donation consists of cash or property.

### Carryovers

If your charitable contribution is limited by your AGI, the excess can be carried over and deducted in the following year. Any charitable contribution not used within five years is lost.

### What Records Do I Need to Keep?

What confuses taxpayers most is what documentation they need to keep, just in case the IRS questions their charitable contribution deduction.

Donation	Documentation
Cash - Less than \$250	Cancelled check, receipt, or any reliable written record.
Cash - \$250 or more	Acknowledgement letter from the organization.
Noncash — Value less than \$250	(1) Receipt or acknowledgment letter from the organization, if it is practical to get one. (2) Written record showing the name of the organization, date, location and description of the contribution; your investment in the property, minus any loss in value; the fair market value of the item (FMV); and the method used to determine its value.
Noncash — Value \$250 - \$500	(1) Receipt or acknowledgment letter from the organization. (2) Written record including the information above.
Noncash — Value \$501 - \$5,000	(1) Receipt or acknowledgment letter from the organization. (2) Written record including the information above plus how the property was acquired and the date the property was acquired.
Noncash — Value over \$5,000	All of the above plus a written appraisal, unless the donated property is publicly traded stock valued at less than \$10,000.

## **What Contributions Are Not Tax Deductible?**

Money or property given to individuals or to non-qualified organizations is not deductible. Non-qualified organizations include private social clubs, political organizations, lobbies, foreign organizations and for-profit organizations.

## **Not Sure if an Organization is a Qualified Organization for tax deductible contributions?**

You can check Publication 78 on the IRS Web site at <http://www.irs.gov/charities/article/0,,id=96136,00.html>.

You can also find further information in IRS Publication 526 Charitable Contributions: <http://www.irs.gov/charities/article/0,,id=96102,00.html>.