

Deductible Donations

****New Regulations Regarding Charitable Deductions****

The Internal Revenue Service has established regulations governing the deductibility of charitable contributions. In order to claim a deduction for a charitable contribution, you are required to obtain an acknowledgement from the charity no later than the date your return is filed, that includes the following:

1. The value of any cash the taxpayer paid and a description (but not necessarily the value) of any property other than cash transferred to the organization;
2. A statement of whether or not the organization provides any goods or services in consideration for the contribution;
3. If the organization provides any goods or services, a description and good faith estimate of the value of such goods or services except if the organization provided an intangible religious benefit;
4. A statement if the organization provides any intangible religious benefit.

You are responsible for obtaining and substantiating all charitable contributions in accordance with IRS regulations.

***Example:** if you make a tax deductible donation of \$100 to a qualified organization and they send you a complimentary book that costs \$25, only enter \$75 in tax deductible donations.*

Making a contribution of property, such as clothing or other goods, is deductible, but requires some record keeping. The amount you are allowed in charitable income tax deductions is the fair market value of the item at the time of donation. The fair market value is the price someone would be willing to pay for the item. See the valuation price guides also located on this website.

To help substantiate a non cash charitable contribution, please list the following information –

- Receipt from the charity listing the name & address
- Date of the donation
- Description of the donated item(s)
- Fair market value of the donation

No deduction is allowed unless the clothing and household items are in good used condition or better.

Appreciated securities as tax deductible donations

An excellent way to save on taxes, and a good deed to boot, is to donate appreciated stock (or mutual funds, or other investments) to a charitable organization.

When you do this, you are able to avoid the dreaded capital gains tax, while benefiting from the increased value of your security.

Note: this only applies if you purchased the security more than a year before making it a donation. If you bought Microsoft two months ago, and gave it to the United Way last week, your charitable income tax deductions would only total what you paid for it.

The following items are not deductible

- Contributions to political parties, campaigns or action committees
- Donations to labor unions, chambers of commerce or other business organizations (these may be deductible as dues)
- Donations to individual people
- Donations to profit schools or hospitals
- Fees or fines paid to local or state governments
- Donations given to foreign governments