

Deducting charitable contributions

How your donations can help others, while helping you save



By Pamela Wheeler, EA

It's December and thanks to the holiday spirit (and the impending end-of-year tax deadline), December is the month you're more likely to make a donation to your favorite charity. Whether you're looking to spread some goodwill for the holidays, or to be more charitable in general, there's quite a bit to consider when making your charitable donations.

Charitable contributions

- Your contributions are deductible in the year you make them.
- For individuals, you must be able to itemize your deductions on Form 1040, Schedule A

to claim your charitable contributions.

- Only donations to qualified organizations are tax-deductible. You can check out the IRS's searchable online database for a list of most of the organizations that are eligible to receive deductible contributions. Churches, synagogues, temples, mosques and government agencies are eligible to receive deductible donations, even though they often are not listed in the database. You can also research a charity on GuideStar.org to be sure the organization has been granted a 501(c)(3) charitable designation by the IRS.
- If you are 70 ½ or older, you can transfer up to \$100,000 from your IRA directly to a charity (or charities) every year. These qualified charitable distributions (QCD) count as your required minimum distribution (RMD) for the year the QCD is made. Transferring money from your IRA directly to a charity can help lower your income taxes because the QCD is not included in your taxable income. The charity you donate to must be an organization that would qualify for a charitable income tax deduction, other than a private (grant-making) foundation, a donor-advised fund, or a supporting organization under IRC Sec. 509(a)(3).

Cash contributions

- Donations charged to a credit card before the end of the year count for 2016 even if the credit card bill isn't paid until 2017. Checks count for 2016 as long as you mail them before the end of the year.
- If you make a donation by payroll deduction, be sure to hold on to a pay stub, a Form W-2 wage statement or other document provided by your employer showing the total amount withheld for charity, along with the pledge card showing the name of the charity.
- To deduct any charitable donation of money, regardless of the amount, you must have a bank record or a written acknowledgement from the charity showing the name of the charity, the date and the amount of the donation. Bank records include cancelled checks, bank or credit union statements and credit card statements. Bank or credit union statements should show the name of the charity, the date and the amount paid. Credit card statements should show the name of the charity, the date, the transaction posting date and the amount of the donation.
- For donations of \$250 or more, you must have an acknowledgement from the charity for each deductible donation (either money or property).

Non-cash contributions

- For all donations of property, including clothing and household items, if possible, you should get a receipt from the

charity that includes the name of the charity, date of the contribution and a reasonably-detailed description of the donated property. If you leave your donation at an unattended drop site or are unable to obtain a detailed receipt from the charity, keep a written record of the donation that includes this information as well as the fair market value of the property at the time of the donation and the method used to determine the value. Additional rules apply for a contribution of \$250 or more.

- To be deductible, clothing and household items must be in good used condition or better. A clothing or household item (e.g., furniture, furnishings, electronics, appliances and linens) for which you claim a deduction of over \$500 does not have to meet this standard if you include a qualified appraisal of the item with your tax return. You must get a written acknowledgment from the charity for all gifts worth \$250 or more, that includes, among other things, a description of the items contributed.
- The deduction for a car, boat or airplane donated to a charity is usually limited to the gross proceeds from its sale. This rule applies if the claimed value exceeds \$500. Form 1098-C, or a similar statement, must be provided to you by the organization and attached to your tax return.
- If the amount of your deduction for all non-cash donations exceeds \$500, a properly completed Form 8283 must be submitted with your tax return.

As you're out and about this holiday season volunteering, making donations and spreading good cheer, don't forget your mileage for providing services to a charitable organization is also deductible at 14 cents a mile.

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