

Can You Support Your Charitable Deductions?

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Year in and year out, charitable donations often provide big deductions for high-income individuals at tax return time. Deductions for charitable gifts may be claimed only by taxpayers who itemize their returns. But even itemizers are at risk if they do not have the requisite proof to back up their claims.

If you don't measure up, you could be forced to forfeit all or part of your charitable deduction for 2011. Here is an overview of the most important rules.

Cash contributions: Under a recent tax law change, deductions for all monetary gifts, regardless of the amount, may be disallowed if the donor does not maintain either a bank record—including a canceled check, bank statement or credit card statement—or a written communication from the charity indicating the donor's name, contribution amount and date of the contribution. Technically, this covers everything from million dollar grants made to a college or hospital to the spare change donated during the holiday season.

Contributions of \$250 or more: The IRS also requires charitable donors to obtain a written acknowledgement from a charitable organization for gifts of \$250 or more. The acknowledgement must be obtained by the time you file your tax return. It should include the amount of the check or cash donated, a detailed description of any property that was donated and the value of the benefit received if any goods or services were provided. The key exception is you do not have to establish a value for "intangible religious benefits."

Contributions made through payroll deductions may be substantiated by pay stubs or a W-2 form. Substantiation is not required if the donee organization files a return with the IRS providing the information to be included in an acknowledgement.

Quid pro quo contributions: If you make a "quid pro quo" contribution (i.e., a contribution made partially or fully in exchange for goods or services) for an amount more than \$75, you must obtain a good faith estimate from the charity detailing the value of the benefit received. For example, say you attend a fund-raising dinner where the tickets cost \$100 a piece and the dinner is valued at \$40. The charity must

provide a written statement limiting the deductible amount to \$60 per ticket. However, a written statement from a charity is not required if you receive token goods, minimal services or intangible religious benefits in exchange for your donation.

There are a few other points to keep in mind. For example, if you gave charitable gifts of property exceeding \$500 in 2011, additional information must be attached to your tax return. If your donation for noncash property exceeds \$5,000, you are also required to provide an independent appraisal of the property's value. The cost of the appraisal is deductible as a miscellaneous itemized deduction (subject to the usual tax law limits for miscellaneous expenses).

These recordkeeping rules will keep you on your toes. However, as long as you have the proper documentation, you should be able to claim legitimate deductions for charitable donations on your 2011 return. Seek assistance from your Henry & Horne, LL tax professional.

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