



Substantiation of Charitable Contributions: Good Deeds Require Good Records

By Todd Garrett, CPA

In recent years, American charitable giving has totaled over \$300 billion, with over \$200 billion of that coming from individuals. Besides the benefits that charities enjoy from these contributions, individuals who have enough deductions to itemize can also benefit from a tax deduction for these contributions. However, in order to take these deductions the IRS requires various forms of substantiation according to the type and amount of the charitable contribution.

Cash contributions totaling less than \$250:

For any single cash contribution to an organization that's less than \$250 you're required to have a canceled check (or image of the check) or a written acknowledgement from the donee organization showing the organization's name and the date and amount of the contribution.

Cash contributions totaling more than \$250:

For cash contributions of \$250 or more no deduction is allowed unless you have a written acknowledgement from the donee. Contributions to a charity aggregating \$250 in total aren't subject to this rule, only single contributions of \$250. For purposes of this rule, donations made periodic via payroll deductions, are treated separately.

Non-cash contributions totaling less than \$500:

The general rule for non-cash contributions is that the donor must have a receipt from the organization showing its name, the date and location of the contribution, and a description of the property given. The fair market value of the property, which is the basis for the deduction, may be determined by the donor.

Non-cash contributions totaling more than \$500:

In the event the total non-cash contributions made exceed \$500 you are required to file form 8283 which asks for additional information regarding the cost of the items donated, the date of purchase and the method used to attach the fair market value used for the deduction.

If property donated has a fair market value in excess of \$5,000 you are generally required to attach a qualified appraisal to your tax return. This rule doesn't apply to publicly traded securities which have readily available market prices.



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Partial Contributions:

If you receive goods or services in return (e.g. lodging voucher or sporting event tickets) for your contribution, the amount of your deduction is limited to the excess of the amount you gave over the value of what you received.

The benefit derived by our society by charitable giving is huge; be sure that you're able to fully benefit from the tax incentives for your kindness by keeping adequate substantiation of the donations you make.

If you have any questions, please give us a call to discuss them.

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