



**April 14, 2011**

## **About Charitable Donations Tax Deductions**

If you wish to make deductions from your taxable income for donations made to charity, you need to ensure you have some things in place. Otherwise, you can expect a notice from the IRS about an audit as charitable donations is one of the main items the IRS takes a second look at. The good thing is that if you receive a notice for audit, it would you probably no entail a face-to-face audit with your IRS auditor. Rather, you're apt to get a letter from the IRS asking you to substantiate your deductions.

If you are given a notice of an audit or to preclude getting one in the first place, the thing you need to do is substantiate your charitable donations with the required paperwork. If you donate an amount of \$250 or more, you need a letter from the charity to confirm your contribution. The letter must state the name of the charitable organization, the amount of donation in cash or kind and whether you received anything in return upon making your donation.

If you attended a charity dinner and paid \$1,000 you would probably receive a letter from the charity saying the dinner costs, say \$150. Then your tax deduction would be \$850, not \$1,000. If you bid and paid \$50,000

for a set of golf clubs you would have no tax deduction because you received something in return.

Also bear in mind that not all contributions are eligible for tax deduction. Contributions to charity are generally accepted but political contributions do not qualify for tax deduction.

On another note, did you convert a traditional IRA to a Roth IRA last year to take advantage of that one-off opportunity to pay federal income taxes on the converted amount over a two-year period? Bear in mind that a traditional IRA is at least tax-deferred, and you only pay taxes when you make a withdrawal. On the other hand, with a Roth IRA, there is no federal income tax break on your contribution, but you can withdraw from it tax-free provided that you meet certain requirements.

So if you wish to convert your Roth IRA back to a traditional IRA, you need to do it before the deadline which is October 17. And if you decide to do this or vice versa, you should consult a tax professional preferably before the tax submission deadline of April 18. A tax professional like a tax attorney would be able to help you figure out the rules in relation to this contained in IRS Publication 590 (which are not easy to understand). Call us at (813) 229 7100 for a free consultation on your IRA or any other tax matter.