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7 Tax Tips on Charitable Donations

Making a charitable donation can be tax-deductible. But there are some provisos and guidelines you should bear in mind. Here are 8 tax tips from the IRS to get you the most deductions from your taxes when you make your donations to charity.

1. Your contributions must be made toward a qualified organization. But what is a qualified organization? That answer is found in IRS Publication 526, Charitable Contributions that gives rules on what constitutes a qualified organization. Generally, your donations to an individual such as a political candidate or a political organization do not qualify for tax deduction.
2. Your charitable contribution must be stated in Form 1040 and itemized in Schedule A in order to be considered for tax deductions.
3. Sometimes, as a token of appreciation for your contribution, the charity may give you a gift or some other form of benefit such as tickets to a dinner for free. You should deduct the fair market value of these benefits from the amount of your contributions when applying for the deduction. Then only the net balance is to be considered for tax deduction.
4. If you make a non-cash contribution such as stocks, household items,

clothes etc, they should be in good condition. These items must be assessed for their fair market value and this value used in tax deduction. However, if you donate vehicles, other special rules apply. Fair market value of any property is generally defined as the price between a willing seller and a willing buyer who both have reasonable knowledge of all relevant facts. Neither seller nor buyer should be under pressing need to sell or buy.

5. The documents to substantiate your donation must include a bank record, payroll deduction records or a written communication from the organization containing the name of the organization, the date of the contribution and amount of the contribution. If communication was made via text messaging, you should furnish a phone bill that shows the name of the charitable organization, the date the contribution was made and the amount given.

6. If your contribution in cash or in kind is \$250 or more, you should furnish the IRS with a bank record, payroll deduction records or a written acknowledgment from the charitable organization showing the amount of cash and a description of the non-cash property contributed. You should also describe any benefit (if any) given by the organization in exchange for your contribution. If your total deduction for all non-cash contributions for the year is over \$500, you must complete and attach IRS Form 8283, Noncash Charitable Contributions, to your return.

7. If you donate an item or a group of similar items worth more than \$5,000, you must get it appraised by a registered valuer and complete Section B of Form 8283.

Refer to Form 8283 and its instructions, as well as Publication 526,

Charitable Contributions for further information. To determine the values of any contributions, refer to Publication 561, Determining the Value of Donated Property. To download these forms, go to www.irs.gov or call 800-TAX-FORM.