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9 Tax Tips for Donating to Charities

Here is some information about the tax deductions you can obtain when you donate to charity. If you don't do it right, you may find your claim for a tax deduction rejected. The IRS has drawn up 9 points you should be aware of when making claims.

1. You must itemize your claims.

You might think this is obvious, but many taxpayers still do not do this right. You need to fill up Form 1040 Schedule A and list out the deductions you wish to claim.

2. Verify your charity

Not every charity is deemed a tax-exempt organization by the IRS although they may exist for charitable reasons. Only recently, the IRS has de-listed about 275,000 charities from their list of organizations that qualify for a deduction.

3. Determine the amount you can deduct

If you made a cash contribution, the amount of deduction is straightforward. But if you made a contribution in kind, then the amount you can deduct is generally the fair market value of the item you deducted. But some further details apply. Check out <http://www.irs.gov/publications/p561/index.html>.

4. Deduct the value of what you receive in return

Some charities reward you with some benefit in return for your contribution. You may be invited to a contributors' appreciation dinner, for example. If that is the case, you must deduct the fair market value of what you receive from the amount of your claim.

5. Historical contribution convention applies

This means that only actual contributions that have already been made by the time you file your taxes can be considered for tax deduction. You cannot deduct future contributions you have pledged to make.

6. End-of-the-year donations count

If you make a contribution by credit card or check on the last few days of the year, your bank or credit card company may not completely process your debit until after the new year. The IRS allows for this time lag and permits you to count your contribution in this tax year.

7. Big donations, more paperwork

The bigger your donation, the more paperwork you need to do. If your contribution is \$250 or more, you need to get a written acknowledgement from the charity stating the amount donated and whether it provided any goods or services in exchange for the gift. For property you donated, the acknowledgement must describe the items and provide a good faith estimate of their value. If your contribution amounts to \$500 or more, you need to fill up Form 8283 Noncash Charitable Contributions and attach it to your tax return. If you donate items worth \$5,000 or more, you need to fill up Section B of Form 8283 and have your item appraised.

8. Keep accurate records

All contributions should be validated by some written record like check buds, official receipts, bank or credit card statements etc.

9. Charities with tax-exempt status revoked

As mentioned, this year some 275,000 charities lost their tax-exempt status. If you made a contribution to one of them, your contribution will still be eligible for deduction but only this time. Future contributions will not be considered for deduction if the charity's tax-exempt status is not reinstated.