



Client Alert

September 18, 2012

Charitable Donations

A recent Tax Court case suggests a simple and effective way to avoid complications from claiming a deduction for a charitable contribution.

To be deductible, a gift in excess of \$250 must be substantiated with a written acknowledgment from the donee organization. This applies to cash as well as property donations. Charities should provide the acknowledgment without being asked, but they often fail to do this.

In the Tax Court case, the taxpayers donated a valuable easement to a charity. Because the taxpayers did not receive an acknowledgment letter, the Internal Revenue Service denied the deduction for the contribution. The taxpayers ultimately got the deduction, because the Court held that the deed transferring the easement contained all the information required in a written acknowledgment, and because the donee signed the deed.

The taxpayers in the Tax Court case could have avoided the cost of a lawsuit if they had requested a written acknowledgment. It is a simple lesson, and charitable donors should incorporate the lesson into their tax planning.

IRS Circular 230 Notice

Internal Revenue Service regulations state that only a formal opinion that meets specific requirements can be used to avoid tax penalties. Any tax advice in this communication is not intended or written to be used, and cannot be used by a taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer, because it does not meet the requirements of a formal opinion.

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