

# Charitable Contributions

## Charitable Contributions Guide



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### Charitable Organizations

Qualified charitable organizations include nonprofit groups that are religious, charitable, educational, scientific, or literary in purpose, or that work to prevent cruelty to children or animals.

#### Examples of Qualified and Nonqualified Organizations

Qualified	Nonqualified
<ul style="list-style-type: none"> <li>Churches, mosques, temples, synagogues.</li> <li>Boy and Girl Scouts, Boys and Girls Clubs of America, Red Cross, Goodwill, Salvation Army, United Way.</li> <li>Fraternal orders, if gifts used for qualified charitable purposes.</li> <li>Veterans' and certain cultural groups.</li> <li>Nonprofit schools, colleges, museums, hospitals, and organizations trying to find medical cures.</li> <li>Federal, state, and local governments, if gifts are solely for public purposes, including nonprofit volunteer fire departments, and public parks facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Country clubs, lodges, fraternal orders, and similar groups, unless they are a qualified charity.</li> <li>Civic leagues, social and sports clubs, labor unions and chambers of commerce.</li> <li>Political organizations and candidates.</li> <li>Communist organizations. [IRC §170(k)]</li> <li>Foreign organizations.</li> <li><b>Exceptions:</b> Contributions to certain Canadian, Israeli, and Mexican charities are deductible. See IRS Pub. 526.</li> <li>Homeowner's associations.</li> </ul>

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Deductible as Charitable Contributions	Nondeductible as Charitable Contributions
<ul style="list-style-type: none"> <li>Cash, check, or money order given to a qualified charitable organization.</li> <li>Property other than cash or check given to a qualified charitable organization.</li> <li>Out-of-pocket expenses when serving a qualified organization as a volunteer.</li> <li>Automobile expenses when serving a qualified organization as a volunteer.</li> <li>Limited portion of expenses paid for a student living with the taxpayer under a written agreement, sponsored by a qualified charitable organization.</li> <li>Charity volunteer's travel expenses away from home, including meals/lodging if there is no significant level of personal pleasure, recreation, or vacation in the travel.</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to a nonqualified charitable organization.</li> <li>Political contributions.</li> <li>The value of a taxpayer's time or services.</li> <li>Gifts to an individual.</li> <li>Donations to organizations engaged in lobbying, for law changes, or for the taxpayer's trade or business.</li> <li>Tuition at a school that is a qualified charity (but may qualify for education tax benefits).</li> <li>The cost of raffle, bingo, or lottery tickets (but may qualify as a gambling loss).</li> <li>The value of blood given to a blood bank.</li> <li>Adoption expenses.</li> <li>Contributions of \$250 or more if acknowledgement statement is not retained.</li> <li>The transfer of a future interest in tangible personal property.</li> <li>The amount of contribution where a benefit was received in exchange.</li> <li>Certain contributions to donor-advised funds.</li> </ul>

### Contributions That Benefit the Taxpayer

If you receive a benefit in exchange for a charitable contribution, the deduction is reduced by the value of the benefit received.

**Example:** Paul made a \$70 donation to Public TV and received a \$40 CD of his all-time favorite band, the Herman's Hermits, in appreciation for his donation. His deduction equals \$30.

### Donor-Advised Funds

A donor-advised fund is a fund or account in which a donor can, because of being the donor, advise the fund how to distribute or invest amounts held in the fund.

**Contributions to donor advised-funds.** A deduction to a donor-advised fund is not deductible if:

- The qualified organization that sponsors the fund is a war veterans' organization, fraternal society, or a non-profit cemetery company, or



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- You do not have an acknowledgment from the sponsoring organization that it has exclusive legal control over the assets contributed.

## Contributions of Property

If used items were given to charity, such as clothing or furniture, the fair market value of the items is used to determine the deductible amount. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale.

### Charitable Contribution Deduction Limitation

**Suspension of limitations for disaster relief.** The AGI limitations do not apply to qualified contributions for relief efforts in disaster areas. However, certain limits may apply if your qualified contributions are more than your AGI minus all other allowable contributions.

**60% limitation.** Beginning in 2018, the percentage AGI limitation for charitable contributions by an individual of cash to public charities and certain other organizations is increased from 50% to 60%.

**30% limitation.** The 30% AGI limitation applies to the following:

- Donations to organizations that are not 60% limit organizations, such as veteran's organizations, fraternal societies, nonprofit cemeteries, and certain private non-operating foundations.
- Donation of property that is used by a charity, other than capital gain property donated to a non-60% limit organization.
- Deduction for student living expenses.

**20% limitation.** The AGI limitation applies to all donations of capital gain property to, or for the use of, a charity that is not a 60% limit organization.

## Donating a Vehicle

### Written Acknowledgement

Obtain written acknowledgement from the organization, which includes details on the use or disposition of the vehicle by the donee organization. A copy of the written acknowledgement must be attached to the tax return.

### Deduction Limits

The deduction limit for vehicles may be less than fair market value under the gross proceeds deduction limit.

- 1) If the organization sells the donated vehicle without a significant intervening use or material improvement by the donee organization, then the deduction is limited to the gross proceeds received from the sale.
- 2) If the organization sells the donated vehicle after significant intervening use or material improvement to the vehicle, the deduction is limited to the fair market value of the vehicle.
- 3) If the organization sells the vehicle at significantly below fair market value, the gross proceeds limitation will not apply if it was a gratuitous transfer to a needy individual in line with the purpose of the charity to provide transportation to the poor.

### Contributions of Less Than \$500

A written acknowledgement is still required if the contribution is \$250 or more. If the organization sells the vehicle without any significant intervening use or material improvement, and the sale yields gross proceeds of \$500 or less, the deduction is equal to the lesser of fair market value or \$500.

**Example:** Jack donates his car, worth \$800, to a charity that turns around and sells it for \$400 without any significant intervening use or without making any material improvements. Jack can deduct \$500 as a charitable contribution for the donation of his car. Because his deduction is \$250 or more, he still needs a written acknowledgement from the charity, but the acknowledgement is not required to be attached to his return.

## Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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