

Donating to charitable organizations is a win/win activity for both the giver and the receiver. Gifts help the organization and can provide a tax benefit for the giver.

### Common Contributions

- Cash and checks are the most common types of charitable contributions. You can also make monetary gifts by credit card or through payroll deductions. The entire amount is deductible provided you are receiving nothing of value in return.
- Clothing, household items, and furniture are deductible at the lesser of either the cost basis or its current value.
- Food items donated to churches, food pantries, or other charitable food drives are deductible at cost.
- The cost of ingredients used to bake items for charitable bake sales is deductible.
- Up to \$50 per month may be deductible if you have a foreign or American exchange student living with you.
- If you receive a benefit or something in return as a result of your contribution, you can only deduct the part of the contribution that is greater than the value of what you receive. **Example:** You purchase a \$40 ticket to a charity dinner. The cost of the dinner is \$25. The charitable deduction is limited to \$15 (\$40 - \$25 = \$15).
- The actual costs of operating your automobile are deductible only for mileage incurred directly as a result of doing charitable work that is not reimbursed. Most people prefer to take the standard rate of 14 cents per

mile rather than figuring the actual cost themselves (for example, traveling to coach a Little League team or transporting students to an outside school activity with your personal vehicle).

### Nondeductible Contributions

- Clothing or food given directly to victims of a disaster is not deductible. Items must be given to a charitable organization to be deductible.
- Food purchased at a bake sale is only deductible for the portion paid that is greater than the regular price of the food.
- Political contributions are never deductible.
- The value of your time is not deductible. This is not allowed even if the work accomplishes something a paid position would otherwise accomplish, or if it costs you time off from paid work.
- Childcare costs incurred because you are doing volunteer work are not deductible.
- Appraisal fees paid to determine the value of donated property are not a charitable deduction. You can deduct these expenses, subject to the 2% of adjusted gross income (AGI) limitation, as an itemized deduction on Schedule A, Form 1040.
- Beginning in 2018, donations made to secure college sports season tickets are no longer deductible.

### Limitations

Although certain limitations may apply, a dollar-for-dollar reduction in taxable income is available if you itemize your deductions.

Contributions are limited to 50% of your income if they are made to U.S. charities such as churches, educational organizations, hospitals, and other nonprofit organizations. In 2018, this limit increases to 60%.

Contributions are limited to 30% of your income if they are made to veterans' organizations, some domestic fraternal organizations, nonprofit cemeteries, and certain private foundations.

Special rules apply if you donate stock, real estate, and other capital assets that would have resulted in capital gains if you had sold them.

If your contributions exceed your adjusted gross income (AGI) limitations, you can carry any excess over for five years. Any contributions unused at the end of five years are lost.

### Proof is Required

Taxpayers must keep records proving the amount of contributions. Depending on the type of charitable contribution, the types of required records vary.

### Cash Contributions

You need to keep written records of your cash contributions regardless of the amount. Specifically, you must retain a bank record, a receipt, letter, or other written communication from the charitable organization indicating the name of the organization, the date of the contribution, and the amount of the contribution. Often, you'll need to request a receipt. For record-keeping purposes, you may want to

consider writing checks or using a credit card for as many contributions as possible. When you make a gift of \$250 or more to a charitable organization, additional written acknowledgement from the organization is required. The written acknowledgment must include the following information:

- The amount of cash and a description of any property other than cash contributed;
- Whether the organization provided any goods or services in consideration for the contribution; and
- A description and good-faith estimate of the value of those goods or services; or
- If the goods or services consist entirely of intangible religious benefits, a statement to that effect.

### Noncash Contributions

You must keep records describing any property contributed and the method used to determine its value. You are responsible for valuing the property either through appraisal or through comparison to other property. Generally, charitable organizations will issue a receipt only and will not assign a value.

If you are donating clothing and household items to a charity and you are claiming a deduction of more than \$500 for a single item that is not in good or better condition, you must include a qualified appraisal with your tax return.

Donations of motor vehicles, boats, or airplanes that have a fair market value in excess of \$500 require written acknowledgement from the donee organization. You can deduct the lesser of the property's fair market value or the gross

proceeds from its sale by the charitable organization. You may not file your tax return for the year of the donation until you receive the written acknowledgement. A donee organization may use Form 1098-C to provide written acknowledgment.

Property valued over \$500 requires submittal of Form 8283, Section A, along with your tax return. You'll need the following information for this form:

- How and when you first acquired the property.
- The price you paid, or other basis of the property.
- Date of the contribution.
- Value of the property at the time of the contribution.
- Method used to determine property value, such as newspaper ads of comparable properties, stock market prices, etc.

Property valued over \$5,000 requires Form 8283, Section B, to be completed and attached to your tax return along with a signed appraisal by a qualified appraiser.

This brochure contains general tax information for taxpayers. As each tax situation may be different, do not rely upon this information as your sole source of authority. Please seek professional advice for all tax situations.

#807 – © Copyright January 2018  
National Association of Tax Professionals  
PO Box 8002  
Appleton, WI 54912-8002  
[www.natptax.com](http://www.natptax.com)

**NATP**<sup>™</sup>

# Charitable Contributions and Tax Deductions

