

CHARITABLE CONTRIBUTIONS - 2015

Qualifying Organizations

Charitable contributions may be deducted only if they are made to a qualified organization. Qualified organizations generally include religious organizations, government bodies, nonprofit schools and hospitals, public parks, public charities, and war veterans' groups. If in doubt, ask the organization if it is qualified, or go to www.irs.gov/charities and use their Exempt Organization lookup tool.

Nondeductible Contributions

The following contributions are not deductible: civic leagues; social and sports clubs; labor unions and chambers of commerce; lobbying organizations; homeowners associations; foreign organizations (*with some exceptions*); political groups or candidates; individuals; cost of raffle, bingo or lottery tickets; value of time or services; or rental value of vacation property.

Limits on Contributions

In most cases, the deduction for charitable contributions may not exceed 50% of the taxpayer's adjusted gross income. A reduced limit of 30% or 20% applies to certain contributions. Contributions that exceed these limits may be carried forward five years.

General Rules for Cash Contributions

Less than \$250: Cash contributions include cash, checks, credit card, debit card, electronic funds transfer, or payroll deduction. A cash contribution may not be deducted, regardless of amount, unless you keep one of the following: a canceled check; a legible bank or credit card statement detailing the date, the amount paid, and the name of the organization; a receipt or letter from the qualified organization showing the same information; or payroll deduction records. ***Undocumented contributions of cash are no longer allowed.***

\$250 and over: For each contribution, you must obtain an acknowledgment from the organization. An acknowledgment must be written and include: 1) The date and amount of cash contributed, 2) Whether the organization provided you any goods or services in return, and if so, a good faith estimate of the value of items received. An acknowledgment must be received prior to the filing date of the tax return (*including extensions*).

General Rules for Non-Cash Contributions

For non-cash contributions, the record keeping requirements depend on the value of the contribution.

If the contribution is under \$250, you must get a receipt from the organization showing the following: 1) The name of the charitable organization, 2) The date and location of the charitable contribution, and 3) A reasonably detailed description of the property donated. A receipt is not required where it is impractical (such as an unattended drop site); however, a written record should be made with above information.

If the contribution is over \$250, all of the above apply. In addition, you must obtain a written acknowledgement from the qualified organization showing: 1) A description of the property donated, 2) Whether the organization gave you anything in return, and if so, a good faith estimate of the value of items received. The acknowledgement must be received before the tax filing deadline, including extensions.

If the contribution is over \$500, all of the above apply, plus 1) A description of how the property was acquired, 2) The date the property was acquired, 3) The cost basis of the property, and 4) How the value of the contribution was determined (*thrift shop value, appraisal, purchase, etc*).

If the contribution is over \$5000, all of the above rules apply, plus an appraisal is required. *Note: There is not a "limit" of \$5000 on non-cash contributions.* \$5000 is the threshold requiring an appraisal of one donated item or a group of similar items. For example, if you donated two separate diamond rings, each \$3000 in value, an appraisal is still required because they are in a similar class and the total is over \$5000. The appraisal must be performed by a qualified appraiser. In addition, the appraisal must be made no earlier than 60 days before the date of the contribution. Appraisal fees are deductible as Miscellaneous Itemized Deductions (*subject to 2% of adjusted gross income*) on Schedule A. The fees are not considered part of the donation.

No deduction is allowed for clothing or household items unless they are in good condition or better.
No deduction is allowed for small items of minimal monetary value, such as socks and undergarments.

Volunteer Expenses & Miscellaneous

You may deduct out-of-pocket expenses incurred for volunteer work provided to qualified organizations. They must be directly related to the activity sponsored by the organization, unreimbursed, and not personal, living or family expenses. There are no deductions for the value of your time. Mileage is deductible at a rate of 14¢ per mile for 2015. You must document your charitable mileage. There are special rules for travel expenses, conventions, large donations, business property, inventory, appreciated property, partial interest and property subject to debt. Contact your tax advisor to discuss this further, if applicable.

Special Rules for Vehicle Donations

The contribution of a vehicle with a fair market value (FMV) over \$500 is generally limited to the dollar amount the charity sells the vehicle for, rather than the FMV or "Blue Book" value. The organization is required to supply the following information to the donor: 1) The donor's name and taxpayer ID number, 2) The vehicle identification number, 3) The date of contribution, 4) The gross proceeds from the sale, 5) A statement the deduction amount cannot exceed the proceeds from the sale, and 6) A statement the sale was made in an arm's-length transaction between unrelated parties. This information is provided on IRS Form 1098-C, Contributions of Vehicles, Boats, and Airplanes. This form must be provided to the donor within 30 days of the sale and must be attached to the donor's tax return.

The Sale Proceeds limitation does not apply in the following two cases:

- If the organization retains and uses the vehicle for its exempt purpose, or makes significant improvements prior to sale, the FMV as of the contribution date can be used. The charitable organization is required to provide the donor with a copy of Form 1098-C within 30 days after the donation. To indicate this exception, Box 5c will be completed by the charity stating the use of the vehicle.
- If, as part of the organization's charitable work, the charity sells or transfers the vehicle to a needy individual for below fair market value, the donor can generally deduct the FMV of the vehicle as of the contribution date. The charity will indicate when this exception applies by checking box 5b on Form 1098C. The form must be provided to the donor by the charity within 30 days of the original donation.

The following pages include a donation checklist for calculating the values of commonly donated items. Please consult your tax advisor if you have questions regarding donations.