



Wood LLP

Tax Alert



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\$100 Million Later, The Ice Bucket Challenge May Not Lower Your Taxes After All

Despite media saturation and knock-offs, you have to hand it to the amazing success of the ALS Ice Bucket Challenge. The ALS Association [announced](#) that donations topped \$100 million in one month, a 3,500% increase from a year ago. More than three million people have donated, but it's tapering. Average donations peaked at over \$100 on August 21. They were down to less than \$30 this week, says one report.

If someone challenges you to dump a bucket of ice water over your head and you don't, you contribute \$100 to the ALS Association. But most of the challenge is about promoting awareness of the disease, so many people dump as well as donate. The contribution gimmick got many celebrities involved and got people excited and invigorated beyond the frigid dunking.

So is all this tax deductible? Donating the money should be, but it is subject to myriad hurdles. Services aren't deductible, so even celebrities can't deduct the value they've added by the videos that have gone viral. You see, charitable contributions are tougher to claim on your taxes than you might think. There are the numerous ways you can lose out even if you donate.



First, there's the technical question whether [the IRS could disallow the ice bucket challenge](#) by arguing you were just giving money to avoid a dousing, not because you actually *meant* to donate to charity. In my view, even the IRS won't go down that road. It's different if a land developer gives the City a park or open space in exchange for permits to build a high-rise. The tax law disqualifies or restricts such 'donations,' but I don't see that coming up here.

Clearly, the ALS Association is a qualified charity, so at least that hurdle is easy. You cannot deduct contributions to individuals, political organizations or candidates. The IRS does police this, and maintains a list of charities [here](#). Plus, you can't deduct charitable contributions *unless* you itemize.

This trips up more people than you might think. Donations go on [Schedule A](#) to your Form 1040. There are limits too. You can only take a deduction of up to 50% of your adjusted gross income for most charitable contributions (30% in some cases), and there may be additional limitations.

If your donations entitle you to merchandise, goods or services, you can only deduct the amount exceeding the fair market value of the benefits you received. If you pay \$500 for a charity dinner ticket but receive a dinner worth \$100, you can deduct \$400, not the full \$500.

And record-keeping matters. Cash contributions without any record don't cut it. You must maintain a bank record, payroll deduction record or [a tax receipt](#) from the organization with its name, date and amount. For text message donations, your telephone bill should suffice if it shows the name of the organization, date and amount of the contribution. Cash contributions of \$250 and

up must be supported by a statement whether the charity provided any goods or services in exchange.

You also can't deduct your time, not even for doing a video of your ice bucket challenge that goes viral. Suppose you bill by the hour and donate many hours of otherwise billable time to charity? Nope, no deduction except for out of pocket costs. Unreimbursed volunteer expenses are deductible when incidental to charitable work for a qualified charity and properly substantiated, as a [cat lady proved in U.S. Tax Court](#).

Donations of stock or other property are usually valued at fair market value. That's one reason people like [Warren Buffett can supersize their tax deductions](#). Clothing and household items must generally be in good used condition or better to be deductible. And there are special rules for [donating cars to charity](#).

If you donate property worth \$250 or more you must also retain a statement describing the property and its value. If your noncash contributions for the year exceed \$500, you must complete IRS [Form 8283](#) and attach it to your return. If you donate an item or group of items worth more than \$5,000, you must get an appraisal meeting IRS criteria.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.