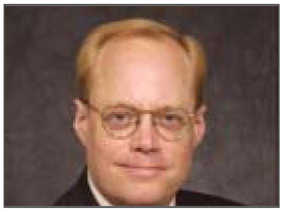

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THE TAX LAWYER

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Giving To Charity? Great. Staying Off IRS Radar? Priceless.

The IRS has grown unforgiving of even small noncompliance with its charitable contribution rules. In fact, the IRS announced that approximately 275,000 tax-exempt organizations lost their exempt status as a result of failing to file the proper forms! See IRS Issues Guidance for Charities – and a Warning to Donors. That impacts all of us, not just the charities. If you don't double check that the organization you support is currently up to IRS snuff, you'll end up with no deduction and possibly other tax problems.

Here are five basic tips to help you plan:

1. **Most Basic Rule: Make Sure the Organization Qualifies!** This is fundamental: you can't deduct contributions to individuals, political organizations or candidates. Look for the tax status of the organization. The IRS maintains a list of all charities. To check whether particular organizations are on the IRS list, search for charities or download Publication 78, Cumulative List of Organizations. The recent IRS guidance makes clear you can't rely on an ***old*** list.

2. **You Can't Deduct the Value of Your Time.** This is so even if you bill by the hour and donate many hours of otherwise billable time to charity. Yet out of pocket costs are OK. Take the recent big victory of a cat lady in U.S. Tax Court. Her case stands for the rule that unreimbursed volunteer expenses are deductible, when incidental to charitable work for a qualified charity and properly substantiated.

3. <u>Beware Charity Auction Purchases.</u> 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. So if you pay $500 for a charity dinner ticket but receive a dinner worth $100, you can deduct $400, not the full $500.

4. <u>Beware In-Kind Donations.</u> Donations of property are usually valued at fair market value. Clothing and household items must generally be in good used condition or better. Vehicles also face special rules. If you make a property contribution worth $250 or more, you must retain a statement by the charity describing the property and its value.

If your noncash contributions for the year exceed $500, you must complete IRS Form 8283, Noncash Charitable Contributions, and attach it to your return. See Form 8283 Instructions. If you donate an item (or a group of similar items) worth more than $5,000, you must also complete Section B of Form 8283, which requires an appraisal by a "qualified appraiser" meeting IRS criteria, so allow time for these formalities.

5. <u>Itemize.</u> You can't deduct charitable contributions unless you itemize deductions. Donations go on Schedule A to your Form 1040. Furthermore, 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 on your ability to deduct these contributions.

For additional explanation of these and other charitable contribution rules, see IRS Publication 526, Charitable Contributions.

If you want the IRS's take on valuation issues and how to value noncash items, see IRS Publication 561, Determining the Value of Donated Property.

See also:

IRS Issues Guidance for Charities – and a Warning to Donors

One Easy Way to Lose That Charitable Deduction

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