

## Charitable Donations

Besides fulfilling their philanthropic needs, donors may also benefit from charitable deductions on their personal tax returns. If you're considering donating to a new cause or a long-standing favorite one, remember that gift-giving may come in many different forms.

### Monetary Contributions

If you donate cash to a qualified charity, your gift is generally tax deductible. The same holds true for cash equivalent contributions, such as an online payment to the charity using a credit or debit card.

**Important note.** To determine if an organization qualifies as a charitable organization, go to the **IRS Exempt Organizations Select Check**. Giving money to an individual or a foreign organization is generally not deductible, except for donations made to certain qualifying Canadian not-for-profits. Political donations also don't qualify for a deduction.

### Gifts of Property

You may also donate property-such as marketable securities, artwork or clothing-to a qualified charitable organization. In some situations, this can result in an extra tax break: For property that would have qualified for long-term capital gains treatment had you sold it-such as marketable securities you've owned longer than a year- you may deduct the full fair market value of the property. Thus, the appreciation in value while you owned the property will never be taxed.

For you to deduct the fair market value of gifts of appreciated tangible personal property, the property must be used to further the charity's tax-exempt mission. For instance, if you give a work of art to a museum, it has to be included in its collection, rather than auctioned off at a fundraiser. Gifts of appreciated property are limited to 30% of your AGI, subject to the same five-year carry forward rule as cash gifts.

For you to deduct gifts of clothing or household goods, the items generally must be in good used condition or better. Your deduction equals the current fair market value of the item, which likely is substantially less than what you paid for it.

For a donation of property worth \$250 or more, you must obtain a contemporaneous written acknowledgement from the charity describing the property, including a statement of whether any goods or services were received in exchange for the donation and a good-faith estimate of the gift's value. Note that an independent appraisal generally is required for a charitable gift of property valued above \$5,000 other than publicly traded securities.

### Quid Pro Quo Contributions

In some cases, a charitable donor may receive a benefit in return for the contribution. These are referred to as "quid quo contributions." If you make a donation at least partially in exchange for goods or services exceeding \$75 the charity should provide you with a good faith estimate of the goods and services received and the amount of payment exceeding the value of the benefit. Your deduction is limited to the difference between these amounts.

### Volunteer Services

Unfortunately, you can't deduct the value of the time you spend helping out a qualified charity. But you may be eligible to write off out-of-pocket expenses you pay on behalf of the organization. This includes

such items as travel, mailing costs and lodging at a convention where you're an official delegate. But travel expenses aren't deductible if the trip is merely a disguised vacation.

If you have to buy special clothing for your charitable activities-such as a Boy Scout or Girl Scout uniform for a troop leader-the cost is deductible. And any uniform cleaning costs may also be deductible.

### **Considering a Charitable Donation?**

There are many creative gifting options available to philanthropic individuals-and many types of donations also qualify for a tax break on your federal return. But special tax rules may apply, so consult with a tax adviser to help ensure that your donation is deductible and your recordkeeping is sufficient.