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Cash Contributions to Charities

Be advised that the Internal Revenue Service has tightened its requirements for the deductibility of cash and noncash contributions to charities, including churches. The taxpayer is required to possess written proof of the contribution ***regardless of its amount***.

The charitable cash tax deduction must be supported by written evidence showing the name of the charitable organization, the date of the contribution, and the amount. Written evidence acceptable to the Internal Revenue Service includes the following:

1. Canceled checks
2. Bank or credit union statements
3. Credit card statements
4. Receipts from the charitable organizations
5. Pay stubs, Form W-2, or other documents furnished by an employer
6. Pledge cards

Each of these documents must state the organization's name as well as the dates and amounts of the contribution, although one statement of acknowledgment from the charity containing all of the required information may meet the substantiation requirements. In addition, a charitable organization is required to provide a written disclosure to a donor who receives goods or services in exchange for a single payment in excess of \$75. You must obtain all documentation supporting your cash contributions on or before the earlier of the date you file your return for the year you make the contribution, or the due date, including extensions, for filing the tax return.

Noncash Contributions to Charities

For a contribution not made in cash, the records you must keep depend on the amount of all similar items of property donated to any charitable organization during the year. For amounts of less than \$250, a receipt, letter, or other written acknowledgment from the charity must be obtained showing,

1. the name of the charity
2. the location and address of the charity
3. a detail description of the property contributed.

In addition to the above information, your records must also include the following:

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1. the original cost or basis of the property
2. the fair market value of the property at the time of donation
3. the method of deriving the property's fair market value
 - a. appraisal
 - b. thrift shop value
 - c. comparable sales
 - d. catalog

Access to the internet provides comparable values of properties in good or better condition.

A deduction for any item with minimal monetary value may be denied. Moreover, no deduction is allowed for clothing and household items that are not in good condition or better, unless it is for more than \$500 and a qualified appraisal of the clothing or item is included with your tax return. Household items include furniture and furnishings, electronics, appliances, linens, etc. They do not include food, paintings and other objects of art, antiques, jewelry and gems, and collections. Special rules apply to food inventory, capital assets, and such.

For noncash contributions of at least \$250 but not more than \$500, in addition to the required information mentioned above, the charity's written acknowledgment must also include whether or not the qualified organization gave you any goods or services as a result of your contribution (other than certain token items and membership benefits), and a description and good faith estimate of the value of any goods or services.

For noncash contributions over \$500 but not over \$5,000, in addition to the above information, the date of acquisition or completion of the property, the means of acquisition (e.g., purchase, gift, inheritance, exchange, etc.), and any adjustments to basis must also be provided by you.

For noncash contributions over \$5,000, in addition to all of the above, generally, you must also obtain a qualified written appraisal of the donated property from a qualified appraiser.

In order to avoid any IRS penalties assessed for insufficient documentation of charitable contributions deducted on your tax return, it is essential to obtain receipts of payment, indicating the donee and the donee's location, a detailed description of the gift, its value and the method used to determine its value, and the date of the gift. Continue to give, but give tax wisely. Make it a general policy never to give cash. Instead write a check or use your credit card, even for contributions of small dollar amounts. And for all noncash contributions, always obtain a detailed receipt or an acknowledgment on the charity's letterhead or stationary.

Make sure that the charity is a qualified charity by checking on the IRS web site:

<http://www.irs.gov/Charities-&-Non-Profits/Search-for-Charities>.

You can find fair market values of various items here:

<http://www.goodwillsms.org/fairmarketvalue/>

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