



# Charitable Contributions Guide



Sterling Tax & Accounting  
2906 Bee Ridge Road  
Sarasota, FL 34239  
(941) 777-4700  
www.srqtax.com

## Charitable Organizations

Qualified charitable organizations include nonprofit groups that are religious, charitable, educational, scientific, or literary in purpose, or that work to prevent cruelty to children or animals.

### Examples of Qualified and Nonqualified Organizations

Qualified	Nonqualified
<ul style="list-style-type: none"> <li>• Churches, mosques, temples, synagogues.</li> <li>• Boy and Girl Scouts, Boys and Girls Clubs of America, Red Cross, Goodwill, Salvation Army, United Way.</li> <li>• Fraternal orders, if gifts used for qualified charitable purposes.</li> <li>• Veterans' and certain cultural groups.</li> <li>• Nonprofit schools, colleges, museums, hospitals, and organizations trying to find medical cures.</li> <li>• Federal, state, and local governments, if gifts are solely for public purposes, including nonprofit volunteer fire departments, and public parks facilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Country clubs, lodges, fraternal orders, and similar groups, unless they are a qualified charity.</li> <li>• Civic leagues, social and sports clubs, labor unions and chambers of commerce.</li> <li>• Political organizations and candidates.</li> <li>• Communist organizations. [IRC §170(k)]</li> <li>• Foreign organizations.</li> </ul> <p><b>Exceptions:</b> Contributions to certain Canadian, Israeli, and Mexican charities are deductible. See IRS Pub. 526.</p> <ul style="list-style-type: none"> <li>• Homeowner's associations.</li> </ul>

## Contributions That Benefit the Taxpayer

If a taxpayer receives a benefit in exchange for a charitable contribution, the deduction is reduced by the value of the benefit received.

**Example:** Paul made a \$70 donation to Public TV and received a \$40 CD of his all-time favorite band, the Herman's Hermits, in appreciation for his donation. His deduction equals \$30.

## Expenses Incurred While Volunteering

Out-of-pocket expenses incurred in performing volunteer work for a charitable organization (including the charitable mileage deduction) are considered cash contributions. The value of a donor's time is not deductible.

**Auto expenses.** Deductible out-of-pocket expenses include the cost of using the taxpayer's auto in providing services for a charitable organization. Deduct the actual cost of gas and oil or the standard mileage rate. Add parking and tolls to amount claimed for either standard mileage rate or actual expenses. A mileage log is required. The general standard mileage rate for charity is 14¢ per mile in 2018.

## Donor-Advised Funds

A donor-advised fund is a fund or account in which a donor can, because of being the donor, advise the fund how to distribute or invest amounts held in the fund.

**Contributions to donor advised-funds.** A deduction to a donor-advised fund is not deductible if:

- The qualified organization that sponsors the fund is a war veterans' organization, fraternal society, or a nonprofit cemetery company, or
- You do not have an acknowledgment from the sponsoring organization that it has exclusive legal control over the assets contributed.

There are also other circumstances in which you cannot deduct your contribution to a donor-advised fund.



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### Contributions of Property

If used items were given to charity, such as clothing or furniture, the fair market value of the items is used to determine the deductible amount. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale.

**Note:** No deduction is allowed for a charitable contribution of clothing or household items unless the item is in good used condition or better. The IRS may deny a deduction for any contribution that has minimal monetary value, such as used socks and undergarments.

### Recordkeeping Rules

**Cash contributions.** Cash contributions include those made by cash, check, electronic funds transfer, debit card, credit card, or payroll deduction. You must maintain a record of the contribution in the form of a bank record (such as a cancelled check), payroll deduction records, or written communication from the charity.

**Noncash contributions.** Keep a receipt from the organization including the name, date, location, description, and fair market value of the property. Take a picture of all items donated to document that the items were in good used condition or better at the time they were donated.

**\$250 or more.** To deduct contributions of \$250 (cash or noncash) or more, you must have a written acknowledgment of your contribution from the organization.

**Part contribution, part goods or services.** A written statement from a charity is required if a donation is more than \$75 and is partly a contribution and partly for goods or services. The statement must contain an estimate of the value of goods or services received.

**Exception:** A written statement for goods or services is not required if one of the following is true.

- 1) The charity is a federal, state, or local government or a religious organization where the benefit is an intangible religious benefit, such as admission to a religious ceremony.
- 2) The goods or services are of token value.
- 3) The goods or services are membership benefits.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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### Donating a Vehicle

#### Written Acknowledgement

Obtain written acknowledgement from the organization, which includes details on the use or disposition of the vehicle by the donee organization. A copy of the written acknowledgement must be attached to the tax return.

#### Deduction Limits

The deduction limit for vehicles may be less than fair market value under the gross proceeds deduction limit.

- 1) If the organization sells the donated vehicle without a significant intervening use or material improvement by the donee organization, then the deduction is limited to the gross proceeds received from the sale.
- 2) If the organization sells the donated vehicle after significant intervening use or material improvement to the vehicle, the deduction is limited to the fair market value of the vehicle.
- 3) If the organization sells the vehicle at significantly below fair market value, the gross proceeds limitation will not apply if it was a gratuitous transfer to a needy individual in line with the purpose of the charity to provide transportation to the poor.

#### Contributions of Less Than \$500

A written acknowledgement is still required if the contribution is \$250 or more. If the organization sells the vehicle without any significant intervening use or material improvement, and the sale yields gross proceeds of \$500 or less, the deduction is equal to the lesser of fair market value or \$500.

**Example:** Jack donates his car, worth \$800, to a charity that turns around and sells it for \$400 without any significant intervening use or without making any material improvements. Jack can deduct \$500 as a charitable contribution for the donation of his car. Because his deduction is \$250 or more, he still needs a written acknowledgement from the charity, but the acknowledgement is not required to be attached to his return.

### Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.