



Charitable Contributions

Charitable contributions are deductible to the extent that you are itemizing deductions on your federal return (see Itemized Deductions Fact Sheet). If you are filing a MN return, you may take a subtraction for 50% of your qualified charitable contributions in excess of \$500 if you are not itemizing deductions.

Here's a list of examples from IRS Publication 526:

<u>Deductible As Charitable Contributions</u>	<u>Not Deductible As Charitable Contributions</u>
Money or property you give to: <ul style="list-style-type: none">• Churches, synagogues, temples, mosques, and other religious organizations• Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt or maintain a public park)• Nonprofit schools and hospitals• The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts of America, Girl Scouts of America, Boys and Girls Clubs of America, etc.• War veterans' groups	Money or property you give to: <ul style="list-style-type: none">• Civic leagues, social and sports clubs, labor unions, and chambers of commerce• Foreign organizations (except certain Canadian, Israeli, and Mexican charities)• Groups that are run for personal profit• Groups whose purpose is to lobby for law changes• Homeowners' associations• Individuals• Political groups or candidates for public office
Expenses paid for a student living with you, sponsored by a qualified organization	Cost of raffle, bingo, or lottery tickets
Out-of-pocket expenses when you serve a qualified organization as a volunteer	Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups
	Tuition
	Value of your time or services
	Value of blood given to a blood bank

Let's expand on some of these examples:

Donation of Money

If the donation of money is more than \$250, you must have a properly completed acknowledgment from the charity in your records. See "Documentation Required" later in this

fact sheet. If you receive something of value in exchange for your donation, you must subtract the value from your donation. This includes items purchased at a “silent auction” – you can only deduct the amount (if any) that exceeds the fair market value of the item you purchased.

Donation of property

The amount of your deduction is generally the fair market value of the property at the time of the contribution. Depending on the type of property, there may be additional restrictions or reporting requirements. If the value is more than \$5,000 a qualified appraisal must be included with the return. Please contact us if you are donating anything valued over \$5,000 unless it is publicly traded stock.

Household and clothing items

They must be in good used condition or better. You may not deduct anything for used socks or underwear. In general, the deduction is limited to “thrift shop value” – in other words, what the thrift shop would charge for someone to buy what you are donating. Make a list to attach to your receipt from the qualified charity and value each item on the list using a donation guide like It’s Deductible or the Salvation Army guide online. We also have a sample guide on our website. Take pictures of the items donated if it is a large amount or a particularly valuable item.

Cars, Boats and Airplanes (=Qualified vehicle)

If you donate a qualified vehicle with a claimed fair market value of more than \$500, you deduct the smaller of the gross proceeds from the sale of the vehicle by the organization or the vehicle’s fair market value on the date of the contribution. You must attach form 1098-C to your tax return. The organization must provide you with Form 1098-C.

Appreciated Publicly Traded Stock

The amount of the donation is the average of the high and low price of the stock on the date the stock is transferred out of your account (or in the case of a physical stock certificate, on the date you mail or deliver the properly endorsed stock certificate to the qualified charity). For this reason, it is important to keep your own records in addition to the acknowledgment received by the charity. Usually the receipt from the charity indicates the date they received the stock which may not be the same date it left your control. This strategy is win/win – you don’t pay capital gains tax and get a full deduction.

Volunteer Expenses

Although you can’t deduct the value of your time as a volunteer you may deduct your out-of-pocket expenses when serving as a volunteer for a qualified charity. In order to be deductible, the amounts must be unreimbursed, directly connected with your volunteer services, be incurred only because of your volunteer services and not be personal, living or family expenses. Mileage that meets these criteria can be deducted at a rate of \$.14 per mile.

Example: You volunteer once a week for a qualified organization in their office. You can deduct \$.14 per mile that you drive to and from the office. You can deduct the cost of purchasing and cleaning the uniform you are required to wear because it isn't suitable for everyday use. You can NOT deduct the cost of a babysitter to watch your children while you are volunteering.

If a qualified organization selects you to attend a convention as its representative, you can deduct your unreimbursed expenses for travel, including "reasonable" amounts for meals and lodging, while away from home overnight for the convention. There must be no significant element of personal pleasure, recreation or vacation in the travel.

Non-Deductible "Donations"

Of particular note in the list of items that are not deductible:

- Raffle or lottery tickets – and if you win, it's taxable as gambling income!
- Dues and donations to social or fraternal clubs – that means the Lions, Moose, VFW, Rotary, etc.
- Value of your time or services – this includes the value of something you made – you can only deduct the cost of the materials if the item is created by you.

"Private" Fundraisers

A word about GoFundMe and similar type fundraising efforts. Unless the donation is going to a QUALIFIED charity, you may not deduct any donations to individuals no matter the circumstances. A Qualified Charity is one that is registered with the IRS as a 501(c)(3) organization. In general, personal appeals and fundraising events (e.g. a silent auction benefiting a cancer patient) are not registered with the IRS and therefore you cannot deduct your contributions to them.

Memorials

If you give a memorial to the family of the deceased, the donation is not deductible. If, however, you write a check to a qualified charity in memory of the deceased, it is deductible by you even if you give the check to the family for them to forward to the qualified charity.

Documentation Required – ALL Charitable Contributions

Cash contributions, regardless of amount, must be evidenced by one of the following showing the name of the organization as well as the date and the amount of the contribution:

- Bank record
- A receipt or other written communication (including an email) from the organization
- Payroll records – a pay stub, Form W2 or pledge card

If the contribution is \$250 or more, you must have a written acknowledgement from the qualified organization that includes the following information:

- The amount of the donation

- Whether or not any goods or services were given as a result of the contribution
- If any goods or services were given, a description and good faith estimate of the value
- A statement that the only benefit you received was an intangible religious benefit if that was the case

The acknowledgement must be “contemporaneous” which in this case means it must be in your possession before you file your tax return (or the due date of your return, if you file your return late).

There have been many court cases where otherwise legitimate contributions were disallowed because the documentation did not follow these guidelines. We like to take a look at your receipts to make sure they meet the guidelines – once your return is filed, errors can't be fixed!

DENIED

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