

## DEDUCTIBLE CHARITABLE CONTRIBUTION REQUIREMENTS

1. Charity. The charitable contribution must be made to a qualified organization. Qualified organizations include, but are not limited to, Federal, State, and Local governments and organizations organized and operated only for charitable, religious, educational, scientific, or literary purposes, or for the prevention of cruelty to children or animals.

2. Quid Pro Quo. If your contribution entitles you to merchandise, goods, or services, including admission to a charity ball, banquet, theatrical performance, or sporting event, you can deduct only the amount that exceeds the fair market value of the benefit received.

3. Small Contributions. For a contribution of less than \$250, the donor must maintain either a bank record or a written communication from the charitable organization indicating the contribution date and amount. Other acceptable evidence includes cancelled checks, reliable written records showing the organization's name, date and amount of contribution. This prevents a deduction for many cash contributions. For payroll deduction you can use a pay stub, Form W-2, or other document furnished by the employer, or a pledge card.

4. Written Receipt. For a contribution of \$250 or more, you must receive a written contemporaneous acknowledgment from the qualified organization. You can deduct the fair market value of any property you donate, but if household or personal items, you should only claim what you can sell the item for at a garage sale, a flea market, or a secondhand or thrift store. You must complete IRS Form 8283, Section A if your total deduction for property is more than \$500 (\$5,000 for C corporations). If you make a contribution of property (not cash) of more than \$5,000, generally you must have an appraisal and you must complete Form 8283, Section B. The form should be attached to your income tax return.

5. Contributions Subject to Special Rules.

A. Clothing and Household Items. You cannot take a deduction for clothing or household items you donate after August 17, 2006, unless the clothing or household items are in good used condition or better.

B. A Car, Boat, or Airplane. If valued at more than \$500, you can deduct the lesser of (i) the gross proceeds from the sale of the vehicle by the organization, or (ii) the vehicle's fair market on the date of the contribution. However, there may be a further adjustment if the fair market value is greater than your cost or other basis. You must also attach a copy of the IRS Form 1098-C to your tax return, unless the vehicle is used or improved by the organization, or the vehicle is given or sold to a needy individual.

C. Taxidermy Property. If you donate taxidermy property after July 25, 2006, your deduction is limited to your basis in the property or its fair market value, whichever is less. This applies if you prepared, stuffed, or mounted the property or paid or incurred the cost of preparing, stuffing, or mounting the property. Your basis for this purposes includes only the cost of preparing, stuffing, and mounting the property.

D. Property Subject to a Debt. If you contribute property subject to a debt (such as mortgage), you must reduce the fair market value of the property by any allowable deduction for interest that you paid (or will pay) attributable to any period after the contribution. If the debt is assumed by the recipient (or another person), you must also reduce the fair market value of the property by the amount of the outstanding debt assumed. If you sold the property to a qualified organization at a bargain price, the amount of the debt is also treated as an amount realized on the sale or exchange of property.

E. A Partial Interest in Property. Generally, you cannot deduct a charitable contribution of less than your entire interest in property. However, there are exceptions for (i) the remainder interest in your personal home or farm, (ii) an undivided part of your entire interest, (iii) a partial interest that would be deductible if transferred to certain types of trusts, and (iv) a qualified conservation contribution.

F. Fractional Interests in Intangible Personal Property. You cannot deduct a charitable contribution made after August 17, 2006, of a fractional interest in intangible personal property unless all interest in the property is held immediately before the contribution by (i) you, or (ii) you and the qualifying organization receiving the contribution. If you make an additional contribution later, the fair market value of that contribution is the smaller of (i) the fair market value of the property at the time of the initial fractional contribution or (ii) the fair market value of the property at the time of the additional contribution. Special rules may also require recapture of the charitable contribution deduction in certain cases.

G. A Qualified Conservation Contribution. A qualified conservation contribution is a contribution of a qualified real property interest to a qualified organization to be used only for conservation purposes. The IRS has provided definitions of “qualified organization,” “qualified real property,” and “conservation purposes.” There are special rules for the contribution after July 25, 2006 of a certified historic structure located in a registered historic district.

H. A Future Interest in Intangible Personal Property. You may be able to deduct the value of a future interest in intangible personal property only after all intervening interests in and rights to the actual possession or enjoyment of the property have either expired or been turned over to someone other than yourself, a related person, or a related organization.

I. Inventory From Your Business. If you contribute inventory (property that you sell in the course of your business), the amount you claim as a contribution deduction is the smaller of its fair market value on the day you contributed it or its basis. You must remove the amount of your contribution deduction from your opening inventory. It is not part of the cost of goods sold. If the cost of donated property is not included in your opening inventory, the inventory’s basis is zero and you cannot claim a charitable contribution deduction.

J. *A Patent or Other Intellectual Property.* Your deduction is limited to the basis of the property or the fair market value of the property, whichever is less. However, you also may be able to claim additional charitable contribution deductions in the year of the contribution and years following, based on the income, if any, from the donated property. After the legal life of the patent or other intellectual property ends or after the 10th anniversary of the donation, no additional deduction is allowed. For the additional deduction based on income, the organization is required to file the Form 8899, Notice of Income from Donated Intellectual Property, and provide you with a copy.

K. *Appraisal Fees.* Fees for appraising the fair market value of donated property are not deductible as charitable contributions. However, you can claim them, subject to the 2% of adjusted gross income limit, as a miscellaneous itemized deduction on Schedule A (Form 1040).

L. *Qualified Charitable Distributions.* For those at least age 70-1/2 when a distribution is made, they can direct the trustee of an IRA account to distribute up to \$100,000 to a qualified charity without having to pay income tax on the distribution. A portion of the distribution can also be treated as the taxpayer's annual required minimum distribution. The rule is scheduled to expire at the end of 2007.

M. *Artwork more than \$20,000.* Must attach a complete copy of the signed appraisal to the return. For single objects worth more than \$20,000, a photograph must be available upon request. If more than \$50,000, Rev. Proc. 96-15 provides a process for requesting a Statement of Value from IRS to substantiate the values of the gifts which still requires an appraisal from the taxpayer.

N. *Contributions over \$500,000.* Donor must attach their qualified appraisal to their returns.

For further information, see IRS Publications 1771, Charitable Contributions-Substantiation and Disclosure Requirements and 526, Charitable Contributions.