



CHARITABLE CONTRIBUTIONS AND IRS DOCUMENTATION RULES

- **Contributions Of Less Than \$250 (§170(f)(17))**. In order to deduct a charitable contribution made in cash, by check, or by other monetary means of less than \$250, the contribution must be supported by **1)** a bank record (e.g., a cancelled check), or **2)** a receipt, letter or other written communication **from the charity** showing the name of the done organization, the date of the contribution, and the amount of the contribution. If a taxpayer contributes by payroll deduction, IRS says that the taxpayer will satisfy this requirement if the taxpayer has a pay stub or W-2 setting forth the contribution amount and has a pledge card prepared by the charity. For noncash contributions, IRS says taxpayers must have a receipt showing the name of the charity, the date and location of the charitable contribution, and a description of the property contributed.
- **Contributions Of \$250 Or More (§170(f)(8))**. As discussed above, §170(f)(8) provides that a charitable contribution of \$250 or more is deductible only if the taxpayer has a qualifying **contemporaneous, written receipt** from the charity. In determining if the \$250 threshold is met, contributions of less than \$250 are not aggregated. The contemporaneous, written receipt must include the following information: **1)** The amount of cash and a description (but not value) of any property other than cash contributed; **2)** Whether the donee organization provided any goods or services in consideration, in whole or in part, in return for the contribution; **and 3)** A description and good faith estimate of the value of any goods or services, if any, received in return for the contribution. **Note! If the donee organization provided no goods or services to the taxpayer in consideration of the taxpayer's contribution, the written receipt must include a statement to that effect.** Where, in consideration for a contribution of \$250 or more, a religious organization furnishes to the contributor solely an intangible religious benefit generally not sold in a commercial transaction outside the donative context, IRS says that the receipt must contain a statement to the effect that an intangible religious benefit was so furnished. **Practice Alert!** In many cases, the statement that intangible religious benefits were provided, is not included with receipts from religious organizations. In such cases, we should ask for a corrected receipt including such statement prior to the date for filing the return (or the due date of the return, if earlier).

Planning Alert! Taxpayers must receive the qualified receipt **on or before the earlier of 1)** the date the return is filed for the year of the contribution, or **2)** the due date, including extensions, for filing the return.

IRS says a cancelled check is **not** sufficient where the contribution is \$250 or more! In addition, for all noncash contributions, the receipt must contain the date and location of the charitable contribution and a description of the property contributed. Also, no deduction is allowed for charitable contributions of clothing or household items, unless the items are in "good used condition or better."

- **Special Rules For Noncash Contributions (§170(f)(11))**. Generally, if a taxpayer claims total noncash charitable contributions in excess of **\$500**, in addition to the documentation required under the rules for contributions discussed in the preceding paragraphs, the donor must file Form 8283 and provide a description of the contributed property and other information required by Form 8283. If a charitable contribution deduction **exceeding \$5,000** is claimed for an item or a group of similar items of property, in addition to the documentation required under the rules for contributions of \$250 or more discussed in the preceding paragraph, the donor must have a written appraisal from a qualified appraiser and a summary of the appraisal must be included with Form 8283 and filed with the return. If the donor's total deduction for art is **\$20,000 or more**, then the appraisal must be attached to the Form 8283 with an 8X10 color photograph. In addition, if the contribution of property other than art, is valued at more than \$500,000, **then the qualified appraisal must be attached to the return when filed.** There are **exceptions from** the **appraisal requirements** for publicly traded securities, nonpublicly traded stock of \$10,000 or less, property donated by C corporations (other than closely held corporations and personal service corporation) and certain inventory and other

property donated by closely held corporations and personal service corporations for the care of the ill, the needy, or infants. **Please see Form 8283 and the related instructions for additional information concerning the documentation and reporting rules for noncash charitable contributions.**



- **Donations of Motor Vehicles, Boats, and Aircraft (§170(f)(12)).** There are stringent reporting and documentation requirements for the donor and the charity that must be satisfied in order to claim a charitable deduction in excess of \$500 for a “qualified vehicle.” A “qualified vehicle” generally includes motor vehicles designed for highway use, boats, or airplanes. Generally, if taxpayers deduct more than \$500 for a charitable contribution of a “qualified vehicle,” the deduction is limited to the gross sales proceeds received by the charity on the sale of that vehicle. In addition to this deduction limitation, a deduction exceeding \$500 is not allowed at all unless the taxpayer receives a Form 1098-C from the charity and attaches a copy to his or her income tax return. **Tax Tip.** If taxpayer’s deduction is \$500 or less, the deduction is not limited to the sales price of the vehicle, and we are not required to file a Form 1098-C with the tax return. However, taxpayers must still obtain a qualifying receipt from the charity as discussed in the previous paragraphs. **Please see IRS Publication 4303 for additional information, including a summary of these complex documentation rules for contributions of vehicles, boats and aircraft.**

SME, CPAs
701 Greene Street, Suite 200
Augusta, GA 30901
706-722-5337
info@smecpa.com