Substantiation, Recordkeeping and Reporting Requirements for Deduction of Charitable Contributions

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Cash Contributions

Taxpayers' Substantiation and Recordkeeping Requirements	Tax Return Reporting Requirements
Contributions in cash, check or other monetary form, regardless of amount, are not deductible at all unless substantiated by at least one of the following: · A bank record (cancelled check, account statement, wire transfer) · A credit card receipt or statement · A written communication from the charity The record must report the name of the organization and the date and amount of the contribution. Lump-sum cash contributions given to a program like the United Way will require an acknowledgement showing the ultimate recipient of the contribution, if the contributions are directed to selected organizations. <u>Cash Gifts of $75 or More</u> For cash gifts of $75 or more, when the donor receives any goods or services (quid pro quo), gifts are deductible if the charity provides a statement reporting the value of the benefits received. The donor can deduct the excess of the contribution over the value of the benefits received. <u>Cash Gifts of $250 or More</u> Cash gifts of $250 or more are deductible only if the donor obtains and retains an acknowledgement statement from the charitable organization. The acknowledgement must meet these requirements: 1. It must be written 2. It must include the amount of cash contributed, whether the organization gave any goods or services, and a description and good-faith estimate of the value of any goods and services. (Intangible benefits from religious organizations should be acknowledged.) 3. The acknowledgement must be received on before the earlier of: • The date of filing the return for the year of the contribution, or • The due date, including extensions, for filing the return Each cash contribution is treated as a separate contribution. Cash contributions to the same charity are not required to be aggregated for the $250 threshold. <u>Payroll deductions</u> A donor is not required to obtain an acknowledgement from the recipient organization for contributions made through payroll deductions. The pay stub serves as adequate proof. For purposes of applying the $250 threshold, each payroll deduction is treated as a separate contribution. However, if $250 or more is withheld from a single paycheck, the donor must keep: • A pay stub, Form W-2, or other document furnished by the employer that substantiates the amount withheld • A pledge card or other document from the recipient organization that states that the organization does not provide goods or services in return for any payroll deduction contributions <u>Expenses Related to Volunteer Work</u> Unreimbursed expenses related to volunteer work are to be reported as cash contributions, and are subject to the same substantiation and recordkeeping requirements as are other cash contributions.	Cash contributions are required to be reported in a single lump-sum amount on a taxpayer's Form 1040, Schedule A.

Non-Cash Contributions

Taxpayers’ Substantiation and Recordkeeping Requirements	Tax Return Reporting Requirements
The general rules for recordkeeping for non-cash contributions depend on whether a deduction for the contribution is: (1) Less than $250, (2) At least $250 but not more than $500 (3) Over $500 but not more than $5,000, or (4) Over $5,000. Regarding contributions of property, special rules apply for valuing gifts of household items, cars, boats and aircraft.	
<u>Deductions of Less Than $250</u> For any non-cash contribution, a taxpayer must obtain and keep a receipt from the charitable organization showing: • The name of the charitable organization, • The date and location of the charitable contribution, and • A reasonably detailed description of the property. A letter or other written communication from the charitable organization acknowledging receipt of the contribution and containing the information above will serve as a receipt. A taxpayer is not required to have a receipt in cases in which it is impractical to obtain a receipt (for example, when property is left at a charity’s unattended drop site). A taxpayer must also keep <u>Reliable Written Records</u> (RWR) for each item of donated property. Written records must include the following information: 1. The name and address of the organization to which a contribution was made 2. The date and location of the contribution 3. A detailed description of the property that is reasonable under the circumstances 4. The fair market value of the property at the time of the contribution, and a description of how that value was determined 5. The cost or other basis of the property if its fair market value must be reduced by appreciation 6. The amount claimed as a deduction for the tax year as a result of the contribution, if less than the entire interest in the property is to be contributed during the tax year 7. Any conditions attached to the gift or property	Non-cash deductions of less than $250 are reported on a taxpayer’s Schedule A, Form1040
<u>Deductions of At Least $250 But Not More Than $500</u> If a deduction of at least $250 but not more than $500 for a non-cash charitable contribution is claimed, an acknowledgement of the contribution must be obtained from the qualified organization. If more than one contribution of $250 or more is made, the taxpayer can have either a separate acknowledgement for each or one acknowledgement that shows the total contributions to a particular organization. The acknowledgement must contain a description of the property contributed, but not necessarily its value. The donor is primarily responsible for establishing the fair market value of the property donated.	Non-cash deductions of less than $500 are reported on a taxpayer’s Schedule A, Form1040
<u>Deductions Over $500 But Not Over $5,000</u> If a deduction over $500 but not over $5,000 is claimed for a non-cash charitable contribution, the taxpayer must have the acknowledgement and RWR previously described. Records must also include: 1. How the property was obtained, for example, by purchase, gift, bequest, inheritance, or exchange 2. The approximate date the property was obtained or, if created, produced, or manufactured, the approximate date the property was substantially completed 3. The cost or other basis, and any adjustments to the basis, of property held less than 12 months and, if available, the cost or other basis of property held 12 months or more (This requirement, however, does not apply to publicly traded securities.)	

Non-Cash Contributions (Continued)

Taxpayers' Substantiation and Recordkeeping Requirements	Tax Return Reporting Requirements
Deductions Over $5,000 If a deduction of over $5,000 for a charitable contribution of one property item or a group of similar property items is claimed, the taxpayer must have the acknowledgement and the RWR described previously. In figuring whether a deduction is over $5,000, combine deductions for all similar items donated to any charitable organization during the year. Generally, a taxpayer must also obtain a qualified written appraisal of the donated property from a qualified appraiser. Internal Revenue Code Section 170(f)(11)(F) provides a rule for the aggregation of similar items of property. This rule provides that, for purposes of determining the deduction thresholds (i.e., more that $500, $5,000 and $500,000), property and all similar items of property donated to one or more donees shall be treated as one property.	Treasury Regulations state that if a taxpayer cannot provide the information in lines 2. and 3. (on Form 8283), a statement explaining reasonable cause for not being able to provide such information should be attached to the return. Non-cash gifts over $500 but not over $5,000 are deductible only if the taxpayer reports the gifts in Section A of Form 8283 (required when the total of all non-cash gifts exceeds $500). The fair market value of the property at the time of the contribution and the method of determining such fair market value is required to be disclosed on Form 8283. Note: When total non-cash gifts exceed $500, a donor must report all gifts on Form 8283, not just those valued over $500. The over $500 but under $5,000 Form 8283 reporting rules apply to individuals, partnerships, S Corporations and C Corporations that are personal service corporations or closely held C Corporations.
Deductions Over $5,000 (Continued) A qualified appraiser is an individual who: 1. Has earned an appraisal designation from a recognized professional appraisal organization or has otherwise met minimum education and experience required by IRS regulations 2. Regularly performs appraisals for pay 3. Demonstrates education and experience in valuing the type of property subject to the appraisal, and 4. Has not been prohibited from practicing before the IRS at any time during the three years prior to the appraisal The appraisal must be made not more than 60 days before the date the appraised property is contributed.	Treasury Regulation 1.170A-13(c)(7)(ii) defines similar items of property as follows: (iii) Similar items of property. The phrase "similar items of property" means property of the same generic category or type, such as stamp collections (including philatelic supplies and books on stamp collecting), coin collections (including numismatic supplies and books on coin collecting), lithographs, paintings, photographs, books, nonpublicly traded stock, nonpublicly traded securities other than nonpublicly traded stock, land, buildings, clothing, jewelry, furniture, electronic equipment, household appliances, toys, everyday kitchenware, china, crystal, or silver. For example, if a donor claims on her return for the year deductions of $2,000 for books given by her to College A, $2,500 for books given by her to College B, and $900 for books given by her to College C, the $5,000 threshold of paragraph (c)(1) of this section is exceeded. Therefore, the donor must obtain a qualified appraisal of the books and attach to her return three appraisal summaries for the books donated to A, B and C.

Non-Cash Contributions (Continued)

Taxpayers' Substantiation and Recordkeeping Requirements	Tax Return Reporting Requirements
<u>Household Items</u> No deduction is allowed after August 17, 2006 for donations of clothing and household items that are in less than "good used condition." Household items include furniture, furnishings, electronics, appliances, linens and other similar items.	Non-cash gifts over $5,000 are deductible when the taxpayer obtains a written appraisal and reports the donations on Form 8283, Section B. The over $5,000 Form 8283 reporting requirements apply to individuals, partnerships, S Corporations and all C Corporations. Report gifts of all publicly traded securities in Form 8283, Section A, even if greater than $5,000. If an appraisal is required for non-cash gifts (over $5,000), the appraiser must complete the donor's Form 8283, Section B, Part III. A copy of the appraisal is not required to be attached to the return. For non-cash gifts over $5,000, the donee organization must acknowledge the receipt on the donor's Form 8283, Section B, Part IV. For a total deduction of art valued at $20,000 or more, a complete copy of the appraisal must be attached to the return. For an individual art object valued at $20,000 or more, a photograph must be provided upon request of the IRS (if not included in the appraisal in acceptable size and form). For a deduction of more than $500,000 for an item (or group of similar items) donated to one or more donees, a qualified appraisal of the property must be attached to the return. However, a deduction is allowed for a single item of clothing or a household item in less-than-good condition where the amount claimed for the item is more than $500 and a qualified appraisal supporting the valuation is filed with the return.

Non-Cash Contributions (Continued)

Taxpayers' Substantiation and Recordkeeping Requirements	Tax Return Reporting Requirements
<u>Household Items (Continued)</u> Some guidelines for meeting the good used condition or better requirements for donations of clothing or household items are as follows: • Clothing cannot be torn, soiled or stained • Clothing must be clean and wearable (i.e., the style could be used by most consumers) • Household items must be in working condition • Furnishings and linens must be clean and useable • The IRS can deny a deduction for clothing or a household item that has a minimal monetary value, such as used socks or undergarments	
<u>Cars, Boats and Aircraft</u> Strict deduction rules apply to contributions of cars, boats or aircraft claimed to be worth more than $500. (1) No deduction is allowed unless the donor obtains a certificate from the charity and includes the certificate with the return claiming the deduction. (Attached to Form 8283) (2) If the charity sells the vehicle without significantly using or improving it, the deduction can't exceed what the charity gets for it, except in case of the charity's sale (or gift) to a needy individual. The charity's certificate must, among other things, show: the donor's name and taxpayer ID; the vehicle ID; if sold, that it was sold at arm's length to an unrelated party; and the gross proceeds. If the charity keeps the car for its own use (or sells or gives it to a needy individual), relevant details must be provided in the certificate. The donor here can use fair market value as reasonably determined.	Form 1098-C, Contribution of Motor Vehicles, Boats and Airplanes may be used to provide the written acknowledgement to be attached to Form 8283.

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