IRS Rules Relating to Donations

When contemplating making year-end donations there are a number of important tax law rules that relate to charitable donations.

One of the more important rules is that there must be a written acknowledgement from the charity for all gifts worth $250 or more that must include among other details a description of the items contributed.

Clothing and household items donated to charity generally must be in good used condition, or better, to be tax-deductible.

Monetary donations

To deduct any donation of money regardless of amount there must be a bank record of the donation. The record must show the name of the charity, the date and amount of the contribution.

Bank records include canceled checks, and bank, credit union and credit card statements.

Bank or credit union statements should show the name of the charity, the date and the amount paid.

Credit card statements should show the name of the charity, the date, and the transaction posting date.

Donations of money include those made in cash or by check, electronic funds transfer, credit card or payroll deduction.

For payroll deductions, the taxpayer should retain a pay stub, a W-2 or other document from the employer showing the total amount withheld for charity, along with the pledge card showing the name of the charity.

Should you donate more than $250.00 in total to any given charitable organization, you must obtain an acknowledgment from that charity in writing of any and all donations made to that charity for the year. One statement containing all of the required information is sufficient.

Additional Rules!
To obtain a deduction the charity donated to must be eligible under IRS guidelines. Only donations to eligible organizations are tax-deductible.

One can determine if a charitable organization is eligible under IRS guidelines by going to the IRS website, IRS.gov, and then selecting Select Check<http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check>, a searchable online tool which lists most organizations that are eligible to receive deductible contributions.

Most recognized churches, synagogues, temples, mosques, and government agencies are eligible even if they are not listed in the tool's database.

Contributions/donations are deductible in the year made.

Donations charged to a credit card before the end of 2014 count for 2014, even if the credit card bill is paid in 2015. Checks dated and mailed in 2014 are also deductible in 2014.

Donation records

For all donations of property, including clothing and household items it is best to obtain from the charity a receipt which includes the name of the charity, the date of the contribution, and a reasonably detailed description of the donation.

If a donation is left at a charity's unattended drop site keep a written record of the donation that includes this information, as well as the fair market value of the property at the time of the donation and the method used to determine that value. If the amount claimed exceeds $250.00, it is best not to leave the donated property at an unattended site.

Special rules

There are special rules for the donation of a car, boat or airplane<http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/IRS-Guidance-Explains-Rules-for-Vehicle-Donations>. The donation is limited to the gross proceeds from its sale of the car, boat, or airplane when sold. This rule applies if the claimed value is more than $500. Form 1098-C or a similar statement must be provided to the donor by the organization and attached to the donor's tax return.

If the taxpayer's deduction for all non-cash contributions exceeds $500, each item is required to be listed within the tax return indicating the name of the charity, the date of the donation, the fair market value of the items donated, and the original cost of those items.

The individual listing requirement of clothing and/or household items for which a taxpayer claims a deduction over $500 is waived when a qualified appraisal of the items is included with the tax return. Only a summary itemization is then required to be presented on IRS Form 8283.
A reminder is that only taxpayers who itemize their deductions on Schedule A can claim deductions for charitable contributions. A taxpayer will have a tax savings only if the total itemized deductions (mortgage interest, charitable contributions, and state and local taxes, among other figures) exceed the standard deduction.

If you meet the all the above rules, give as much as you like - but not more than 50% of your Adjusted Gross Income, and in some cases, 30% is the maximum you may give!