Rules relating to Charitable Donations

With the holidays around the corner many people will be making charitable donations.

It is important to know some of the rules relating to charitable donations, and the tax implications, and rules.

Qualified Charities

To obtain a charitable donation deduction a donation must be made to a qualified charity.

Gifts to individuals, political organizations, or candidates are not deductible.

To check the status of a charity one can visit the IRS website at IRS.gov and search for the organization that you intend to donate to at Exempt Organizations Select Check.

Getting Something in Return

Should you receive something in return for your donation you must reduce the amount to be deducted by the fair market value of the item received. This includes merchandise, meals, and event tickets as well as any other value received for making the donation such as in a raffle, or auction.

Type of Donation

Donations made in property instead of cash the charitable donation is limited to the fair market value of the donated item.

Fair market value is generally the price one would receive if the property was sold on the open market.

Generally a professional appraisal will be necessary if the value of the property exceeds $5,000 but we suggest appraisals for any item that is donated above $500.00 as the IRS in practice disallows any item not verified as to value above that amount.
When donating clothing or household items those items generally must be in good condition.

Special rules apply to certain types of property donations, such as cars and boats which require the charitable organization providing the donor documentation as to the value of that item when sold.

**Donations of $250 or More**

Donations of $250 or more in cash or goods must have a written receipt from the charity.

The statement from the charity must indicate the following:

- The amount of the donation;
- A description of any property given;
- Whether the donor received any goods or services in exchange for their gift, and, if so, must provide a description and good faith estimate of the value of those goods or services.

You are required to have all documentation whether receipts from the charitable organization, or appraisals before the filing of your tax returns. Obtaining that documentation after the filing of your returns will invalidate the deductions claimed. The IRS has prevailed on this point in tax court, therefore it is very important to have your documentation in order prior to the filing of your tax returns.

It is godlike to give, but the IRS wants proof!

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We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service. Should you have questions relating to tax or financial matters feel free in calling us at (818) 346-2160, or you can visit us on the web at [www.petemcpa.com](http://www.petemcpa.com)!

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