

# WHO CAN WE "GIFT" TO.....AND TAKE A TAX DEDUCTION?

DEFINED AT IRS PUBLICATION 526

## DEDUCTIBLE AS CHARITABLE CONTRIBUTION:

### **MONEY OR PROPERTY YOU GIFT TO:**

- 501C(3) organization, ie, Salvation Army, Goodwill Industries, United Way, Boy Scouts, Girl Scouts...  
How to verify if qualified to receive deductible charitable contributions? Go to [www.irs.gov/Charities-&Non-Profits/Exempt-Organizations-Select-Check](http://www.irs.gov/Charities-&Non-Profits/Exempt-Organizations-Select-Check)
- Church, synagogue, temple, mosque and other religious organizations
- Federal, state and local governments if your contribution is solely for public purposes, ie, a gift to maintain a public park
- Nonprofit schools and hospitals
- War veterans' groups

Expenses paid for a student living with you, sponsored by a qualified organization

***Out of pocket expenses*** when you serve a qualified organization as a volunteer, includes mileage at 14 cents per mile

## NOT DEDUCTIBLE AS CHARITABLE CONTRIBUTION:

### MONEY OR PROPERTY YOU GIVE TO:

- Civic leagues, social and sports clubs, labor unions, and chambers of commerce
- Foreign organizations (except certain Canadian, Israeli, and Mexican charities)
- Groups that are run for personal profit
- Groups whose purpose is to lobby for law changes
- Homeowners' associations
- Individuals
- Political groups or candidate for public office

Cost of raffle, bingo or lottery tickets

Dues, fees, or bills paid to country clubs, lodges, fraternal orders or similar groups

Tuition

**Value of your time or services**

Value of blood given to a blood bank

## **GIFTS BEFORE DEATH:**

**GIFTS TO YOUR CHILDREN/FAMILY/BLOOD RELATIVES/INLAWS/OUTLAWS... WHILE YOU ARE ALIVE DO NOT QUALIFY AS CHARITABLE CONTRIBUTION.....**

**AND MAY BE TAXABLE OR AT LEAST REPORTABLE ON A GIFT TAX RETURN IF MORE THAN \$14,000 TO ANY ONE INDIVIDUAL PER YEAR!**

These can lower or maybe eliminate estate income taxes which are currently based on FMV at date of gift. Great to use for assets with expected increase in future value! The current estate tax exemption is \$5.45 million per individual. The top federal estate tax rate is 40%!

If you have the gift appraised, the cost of the appraisal is not deductible as donation but can be claimed as a miscellaneous itemized deduction subject to 2% of adjusted income limit.

## **GIFTS AT DEATH**

**GIFTS TO YOUR CHILDREN/FAMILY/BLOOD RELATIVES/INLAWS/OUTLAWS/THE DOG OR ANYONE ELSE AT YOUR DEATH ARE CALLED INHERITANCE. THESE ARE TAXABLE BY THE ESTATE (DONOR), NOT BY THE RECIPIENT (DONEE).**

**Example: If you inherit your parent's home at their death, you would be able to claim the fair market value at the date of death or the alternate valuation date if that value was used on the decedent's estate tax return. If you sell within a few months of death, you would normally have a loss to claim for the cost to sell.**

**If you inherit an IRA or tax deferred annuity, you may owe income taxes! Make sure you discuss with your tax advisor before you take this type money and spend without withholding the proper amount of taxes!**

# WHAT AMOUNT CAN YOU DEDUCT?

Fair market value (FMV) of the property at the time of the contribution

- Cash is cash!
- Clothing and household items must be in good used condition or better. No set rules but Goodwill provides some guidance online.
- Food is normally at cost unless you are in food business, see food inventory below
- Paintings, antiques, and other objects of art. Use Publication 561 to determine FMV if valuable
- Jewelry and gems. Use Publication 561.
- Collections. Use Publication 561.
- Cars, boats and airplanes require appraisals unless for small, inexpensive ones. Vehicle donations for more than \$500 require 1098-C with tax return.
- Inventory normally at cost. Food inventory allows the 20% of the larger of FMV or cost to be deducted subject to 10% of total net income from business related.
- Patents and other intellectual property normally at cost basis of donor
- Property that has increased in value
  - that was used in business is subject to ordinary income

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- that would have been short term capital gain if you sold would be limited to your cost.. ie, donate stock held for 5 months that appreciated in value
- held for more than one year and includes assets owned and used for personal purposes or investment...stocks, bonds,jewelry, coin or stamp collections, cars or furniture used personally... use FMV

#### Tax planning tips:

Usually best to give appreciated property rather than sell and make the cash contribution for the amount since you will have to pick up capital gain on Schedule D.

Still able to gift directly from IRA and not pay income taxes in 2016... of course, you cannot take the contribution if you do not take as taxable income.

Ask your tax advisor what works best for you!

## **Recordkeeping**

Cash contributions require receipt from the organization or bank/credit card records or payroll deduction records.

Noncash contributions of less than \$250 require only receipt from organization with date, location, and reasonably detailed description of property.

Noncash contributions for more than \$250 but less than \$500 requires written acknowledgment from organization, description, whether you received any goods or services and if so the value of those goods or services.

Noncash contributions for more than \$500 but less than \$5000 require written acknowledgment and your records must include how got the property, date received, cost or other basis and any adjustments.

Noncash contribution for more than \$5,000 require an acknowledgment and the written records required above plus qualified written appraisal of the donated property from a qualified appraiser.



## WHEN TO DEDUCT?

Only in the year of contribution that you made the contribution at the time of its unconditional delivery.

- \* Checks- date you mailed
- \* Text message – date you sent if charged to your phone or wireless accounts
- \* Credit card - in the year you make the charge
- \* Pay by phone - on the date the financial institution pays the amount.
- \* Stock certificate - on the date of mailing or other delivery to the charity or charity's agent.
- \* Promissory note - at date of note payments
- \* Option - when the charity exercises the option.
- \* Borrowed funds - are deductible the year you deliver the funds regardless of when you repay the loan.
- \* Conditional gift - only deductible if there is only a negligible chance the act or event won't take place...example donate land for city to use for a public park.

## LIMITS ON DEDUCTIONS

For 2015, your total charitable contribution may be limited if adjusted gross income is more than

- \* \$154,950 if MFS
- \* \$258,250 if single
- \* \$284,050 if HOH
- \* \$309,900 if MFJ

If your total contributions are more than 20% of your adjusted gross income, you will be subject to limits.

You cannot deduct more than 50% of your adjusted gross income.

Your deduction may be limited based on the type of property you give and the type of organization you give it to.

Most charitable organizations know if they are a 50% limit organization...most churches, charities, schools, and hospitals.

30% limit applies to veteran's organizations, fraternal societies and nonprofit cemeteries.

20% limit applies to all capital gain property.

You can carryover contributions for up to 5 years!