



Tax Talk: Tax Law for Charitable Giving
Author: Kevin M. Sayed, Attorney at Law
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A tax deduction may not be your primary reason for charitable giving, but if you itemize on your tax return, you may be eligible for one. However, you should be aware of a few rules. In order for a donation to be tax deductible, it must be made to a qualified organization (donations you make to an individual are never deductible). Most organizations, other than churches and governments, must apply to the IRS to become qualified. You can confirm an organization is qualified at www.irs.gov by typing “Exempt Organizations Select Check” in the search box on the home page.

In order to qualify for the deduction, you must have proper documentation for the type of contribution you made:

Cash contributions – Donations made with cash, check, debit or credit card, payroll deduction, or electronic funds transfer require a written acknowledgment from the organization if the donation exceeded \$250. For lesser amounts, you must at least have proof of the donation such as a canceled check or a receipt from the organization.

Non-cash contributions – generally, you must keep written records of the contribution that detail the name and address of the organization, the date of the donation, the value and a description of the property donated, and the amount you paid for the item(s). In most cases, you must have a written receipt from the organization; however, if the donation is valued less than \$250, the IRS waives the receipt requirement “if it is impractical to get one.” An example would be items donated at a Goodwill drop box. If the item(s) are valued at more than \$500, additional requirement must be met. For questions about larger charitable gifts, please contact Attorney Kevin Sayed at 252-321-2020.

Out-of-pocket expenses – Expenses such as supplies purchased, mileage, or airfare incurred while providing a service to a qualified organization may be deductible if you maintained proper records (receipts, mileage log, etc.). You must have written acknowledgment from the qualified organization if the expenses exceeded \$250.

Finally, you cannot deduct a donation if you received a benefit in return. For example, if a charity sold fish dinners for \$10, the \$10 is not deductible unless you declined to take the plate. For more information, refer to IRS Publication 256, *Charitable Donations*.