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## 10 tips to ensure year-end charitable contributions can be deducted

ALBUQUERQUE, Dec. 17, 2009 – The year-end charitable giving season is upon us, and the Albuquerque office of Grant Thornton LLP wants to make sure local business owners don't miss out on the federal tax rewards available for their charitable contributions.

“Generosity is its own reward, but that doesn't mean you should miss out on the tax benefits of your gifts,” said John P. Simpson, Tax Partner in the Albuquerque office. “Many people don't realize how detailed the charitable giving rules actually are.”

While the following list is not exhaustive, it contains some of the more common issues that can trip up individuals trying to claim charitable contribution deductions on their tax returns. To learn how these charitable deduction rules may apply to you, please contact your tax advisor.

- 1. Meet the substantiation requirements.** For contributions of cash or property, always get a receipt from the charity. For contributions of property, the receipt will need to reflect the fair value of the property donated. Donated clothing or household goods must be in at least “good used condition” to be deductible. If the contribution of property is in excess of \$5,000, a qualified appraisal of the donated property must be obtained.
- 2. Meet the reporting requirements.** If you have made a gift of property in excess of \$500, you must file Form 8283. If you have made a gift of property in excess of \$5,000 (other than publicly traded securities) you must complete the appraisal summary on Form 8283, Section B and have the charity complete and sign Part IV. If the gift of property is in excess of \$500,000, the qualified appraisal must be attached to your income tax return.
- 3. Understand the AGI percentage limitations.** Charitable contributions for any given year are only deductible up to a certain percentage of your adjusted gross income (AGI) (20 percent to 50 percent depending on the type of property contributed and the type of organization that is the recipient). You can carry over the excess amount for the next five years.
- 4. Understand the timing rules.** Contributions made by check are considered delivered on the date they are mailed and must be deducted in the year of the mailing. Contributions made by credit card must be deducted in the year that the charge occurs. Pledges to make a contribution are generally not deductible until payment is actually made. Similarly, a contribution of an unsecured promissory note is not deductible until paid.

5. **Confirm that the organization is a qualified organization.** Make sure your donations are made to an organization qualified to receive deductible contributions. The IRS website ([www.irs.gov](http://www.irs.gov)) lists most qualified organizations in Publication 78, but many churches, synagogues, temples, mosques and government organizations are not required to be on the list even though they are qualified organizations. Political organizations that participate in political campaigns or attempt to influence legislation are not qualified organizations.
6. **Know the rules for pledges.** Do not let your private foundation satisfy a pledge that you made individually, as this is a prohibited act of self-dealing that may be subject to penalties. And remember that pledges to make a contribution are generally not deductible until payment is actually made.
7. **Do not deduct the total contribution to university athletic foundations.** If your donation to a college or university includes the right to purchase seating at athletic events, only 80 percent of the payment is treated as a charitable contribution. The actual ticket purchase price is not deductible.
8. **Do not deduct contributions of services or use of property.** You can't deduct your time for donating services, only your out-of-pocket expenses. So you can't deduct your artistic performance, professional services or the value of permitting a charity to use your property. You may only deduct mileage and out-of-pocket expenses paid in providing services to a charity.
9. **Do not deduct raffle tickets or bingo, and beware of tickets to fundraising events.** When purchasing tickets to a fundraising event, you must reduce the charitable contribution by the value of the event. Sometimes, the charity will provide you with the value of the event to be used for this purpose. If the organization lists the full ticket price (unreduced by the value of the event) as a contribution, you must still reduce the deduction by the value of the event. If your private foundation buys a ticket to a fundraising event make sure that you or a "disqualified person" do not use the ticket to attend the fundraising event as this is a prohibited act of self-dealing (even if you pay for the non-charitable portion).
10. **Give directly from an IRA.** Taxpayers 70½ and older can make tax-free charitable distributions from individual retirement accounts (IRAs). Using your IRA distributions for charitable giving could save you more than taking a charitable deduction on a normal gift. That's because these IRA distributions for charitable giving won't be included in income at all, lowering your AGI. You'll see the difference in many AGI-based computations where the below-the-line deduction for charitable giving doesn't have any effect.

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