

COCONUT CREEK MARGATE CITY NEWS

THE MAGAZINE THAT CARES

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FINANCIAL / TAX ADVICE
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Two Ways To Maximize Your Charitable Contributions

There is seemingly no end to the solicitations we receive from qualified charitable organizations seeking our assistance. Solicitations come by regular mail, e-mail, television commercials, and through word of mouth with respect to organizations we may participate in, such as religious, educational, or social organizations. Our collective support of these institutions serves a growing need for assistance to needy individuals throughout our country. While our collective generosity makes us all feel good, we also want to make certain we maximize our tax deduction, that also makes us feel good.

There is a myriad of rules regarding deductibility of cash contributions to qualified organizations, along with percentage limitations as to how much can be deducted against adjusted gross income, depending upon the type of organization you donate to. This brief column will address two specific subjects that are generally important to South Florida residents. The two subjects are:

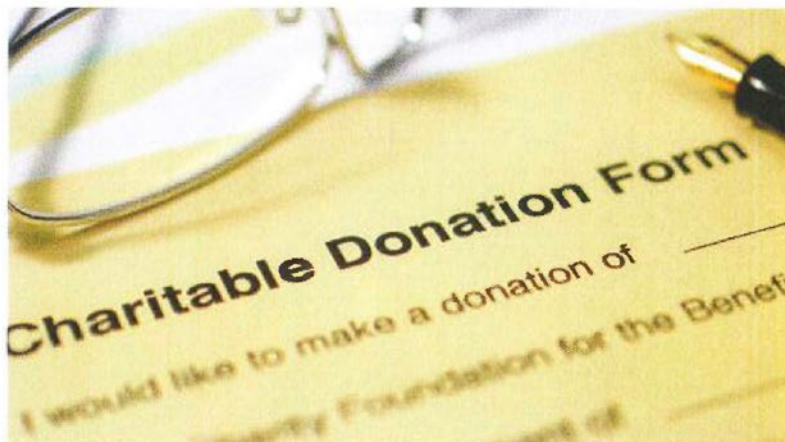
1. What deductions is one entitled to if you volunteer for an organization and provide personal services?
2. If you make contributions of cash or tangible property, what type of substantiation do you need to secure, retain, and file with your tax return?

1. Deductions for Volunteers:

We all know we are not entitled to any tax deduction for the value of services we may perform for a charitable organization. Even such a valuable donation as a pint of blood, while noble, does not entitle you to a tax deduction.

But volunteers to charitable organizations are permitted to deduct out-of-pocket costs incurred while performing their services, limited to the generally applicable rules and regulations for charitable contributions. Thus, if you perform services for a charity, and incur the following types of expenses, you will be entitled to a tax deduction:

- Away from home travel expenses, including round trip travel, taxi, and transportation between airports, hotels and events, etc.
- If you entertain others on behalf of the charity, for example, to secure a large contribution, you can deduct the cost of entertainment. The cost of your own entertainment or meal, is however, not deductible.
- If you use your vehicle, while performing services for a charitable organization, you may deduct unreimbursed expenses directly attributable to such use. Alternatively, a flat \$0.14 per mile for charitable use of your vehicle is available.
- If you wear special uniforms when you do volunteer work and your uniform has no general utility, you can deduct the cost of acquiring and cleaning the uniform.
- If you incur miscellaneous expenses such as printing, extensive telephone use, mailings, or any other similar expenditures on behalf of a charitable organization, you may be entitled to a tax deduction.



Charitable deductions for the above expenses must be substantiated by a written acknowledgement from the charity if the deduction exceeds \$250. You should secure an acknowledgement indicating the amount expended, category of expenses, and confirming you received nothing of value in return for your contribution.

If you are spending funds on behalf of a charity, it is important you secure written documentation from the charity about the nature of your efforts and the need for you to lay out funds for expenses. If you incur significant costs, it is recommended you submit the expenses, with receipts, to the charity for confirmation, even if they are not going to reimburse you. As always, maintain detailed records of all your expenses.

If your volunteer efforts are ongoing and expenses considerable, consider arranging with the charity for them to directly pay all of the expenses you incur during your voluntary service and reimburse the charity with a tax deductible payment for these costs. This may simplify the documentation requirements.

Great personal satisfaction flows from doing good deeds, but when you do good deeds and also secure a tax deduction, it can amplify your allocation of personal monies to charitable endeavors.

2. Substantiation for Charitable Donations:

To support the tax benefits you seek, you are required to keep adequate records and secure substantiation for both cash and property donations. The following list is a brief guide to the rules and regulations. For more detailed information, see IRS Publication 1771, available on the IRS website.

Recent cases have denied taxpayers charitable donations for failure to secure and file required documentation with their tax returns. The greater the dollar value of your donations, the more important it is to secure the appropriate documentation and complete the required IRS forms.

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Cash Donations:

Small cash donations are relatively simple. All you need to retain is a bank record supporting the donation, or a written receipt from the charity, indicating the charity's name, date of donation, and the amount of the contribution. If your cash donation exceeds \$250, you need to retain a copy of your canceled check and must secure a donor acknowledgement letter no later than the due date of the tax return. The written acknowledgement must state whether you received any goods or services in consideration of the donation. The \$250 threshold is a per donation amount. Therefore, if you make several donations to the same charity throughout the year, but they total more than \$250, you do not need to secure acknowledgement letters for your contributions.

Contributions of Property:

Contributions of tangible property is an easy way to secure a charitable contribution deduction, so long as all rules and regulations are followed. The general rules are as follows:

A. Property donations valued at less than \$250 should be substantiated by a written receipt from the charity, showing the organizations name, the date and place of the contribution, along with a detailed description of the property. You should also retain records that indicate the property's cost basis and fair market value on the date of contribution.

B. Contributions in excess of \$250 require more documentation. In this case, donors must receive a written acknowledgement from the charity following rules similar to above. If the charitable contribution exceeds \$500, you must also complete Form 8283 and include it with your tax return.

C. For property contributions of \$5,000 or more, a qualified appraisal must be secured and Schedule B of Form 8283 (the Appraisal Summary) signed by the appraiser and the donee organization. The schedule and form must be attached to the tax return. Extensive rules apply to the completion of Form 8283 and the contents required to be included in the qualified appraisal. The appraisal must be done by a qualified appraiser in accordance with generally accepted appraisal standards. The appraiser must have verifiable education and experience in valuing the specific type of property which has been donated.

D. If one is donating artwork or other high value property, strict adherence to IRS rules and regulations is imperative.

E. If the property donation consists of publicly traded securities, an appraisal is not required if there are readily available market quotations for the securities.

This brief column is intended to remind you there are tax benefits available to volunteers and for donations of cash and securities, as well as for personal property. In order to secure the deductions it is important you consult with your tax advisor to make certain you are meeting all the requirements needed to secure the deduction. Keep doing good deeds and supporting the organizations you trust with cash, securities, and personal property donations. But be sure you document your donations properly and file the necessary schedules and support with your annual personal tax return.

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