Newsday
https://www.newsday.com/business/year-end-is-prime-time-for-corporate-giving-i64881

Year-end is prime time for corporate giving

By Jamie Herzlich
jherzlich@aol.com
February 16, 2022

For many companies, year-end is prime time for charitable giving.

It can position your business in a positive light, and offer significant tax benefits as well.

But not every charity is created equal for tax purposes. To maximize those benefits you need a strategy.

"You want to make sure you optimize your charitable giving," says Barbara Weltman, a Vero Beach, Florida, small business tax specialist and author of "J.K. Lasser's Small Business Taxes 2016" (Wiley; $22.95).

Take some time before year-end to assess where your charitable dollars make the most sense, while being cognizant of IRS guidelines.

For starters, to be eligible for a deduction, you can only donate to an IRS-approved 501(c)(3) organization, says Weltman.

In addition, you can't deduct the value of your time, she notes. So if you're a lawyer doing legal work for a charitable organization pro bono, you can't deduct the time spent at your hourly rate on those efforts, she says.

But you can deduct out-of-pocket expenses for services rendered, says Bonnie Lee, owner of Taxpertise, a Sonoma, California, tax preparation firm and author of "Taxpertise: The Complete Book of Dirty Little Secrets and Tax Deductions for Small Business the IRS Doesn't Want You to Know" (Entrepreneur Press; $21.95).

For example, if you use your automobile to deliver food on behalf of a charity and they don't reimburse you for gas, that can be eligible for a deduction, she says.

For any contribution of $250 or more, you need written acknowledgement from the charity. But it's good practice to get that for any amount even below that threshold, says Lee, noting bank records don't always cut it.

"I had the IRS disallow a cancelled check for $10 to the March of Dimes for one client," says Lee.

Also if you receive a benefit from your contribution, such as gala tickets or a gift, you must subtract the value of those goods from the total contribution and the remainder would be deductible, she explains.

In general, you can only take a deduction in the tax year you make the contribution, but there are certain exceptions.

If you are a corporation operating under the accrual method of accounting and authorize a contribution before year-end, you can deduct it on your 2015 return as long as you pay it out within two and a half months after the close of the year, Weltman says.

Also if you open up a fund before year-end with the Long Island Community Foundation, which requires a $5,000 minimum, you'd be able to deduct that on your 2015 tax return even if grants from the fund aren't dispersed until 2016, says Marie C. Smith, director of donor relations and communications at LICF, a Melville-based non-profit that connects donors to charitable organizations.

Between Christmas and New Year's is a busy time for the foundation, with donors trying to get in their charitable contributions before year-end, she notes.

Keep in mind, though, there are different rules for different corporate structures, says Diane Giordano, a tax and business services partner at Marcum LLP in Melville.

For instance, for a C-corporation, charitable deductions for the year can't exceed 10 percent of taxable income, she says. For S-corporations, the deduction is reported by the individual and is limited to 50 percent of adjusted gross income for cash contributions, she notes.

Also if a C-corp donates inventory, the company would generally be able to deduct the cost of the item plus half the difference between the cost and the selling price, while an S-corp would only be able to deduct the lesser of cost or fair market value, explains Giordano.