

O'NEIL & STEINER, PLLC

CHARITABLE CONTRIBUTION SUBSTANTIATION

The tax code establishes requirements for record-keeping called substantiation requirements for charitable donations and other tax-deductible items. For charitable contributions the requirements depend on the type (cash vs. non-cash) and amount or value. Here are the details.

General rules. For a contribution of **cash, check, or other monetary gift, regardless of amount**, you must maintain a bank record or a written communication from the donee organization showing its name, plus the date and amount of the contribution. Any other type of written record, such as a log of contributions, is insufficient.

For a contribution of property **other than money** (clothing, furniture, etc.), you generally must maintain a receipt from the donee organization that shows the organization's name, the date and location of the contribution, and a detailed description (but not the value) of the property. If circumstances make obtaining a receipt impracticable, you must maintain a reliable written record of the contribution. The information required in such a record depends on factors such as the type and value of property contributed.

If the contribution is worth **\$250 or more**, stricter substantiation requirements apply. No deduction is allowed for any contribution of \$250 or more unless you substantiate the contribution with a written receipt from the donee organization. You must have the receipt in hand when you file your return (or by the due date, if earlier) or you won't be able to claim the deduction. For this reason, you should delay signing e-file authorizations, or filing your return, if you have not yet received acknowledgment in writing. If you make separate contributions of less than \$250, you won't be subject to the written receipt requirement, even if your contributions total \$250 or more in a year for the same recipient organization.

The receipt must set forth the amount of cash and a description (but not the value) of any property other than cash contributed. It must also state whether the donee provided **any goods or services in return for the contribution**, and if so, must give a good-faith estimate of the value of the goods or services.

If you received only "intangible religious benefits," such as attending religious services, in return for your contribution, **the receipt must say so**. This type of benefit is considered to have no commercial value and so doesn't reduce the charitable deduction available.

In general, if the **total charitable deduction you claim for non-cash property is more than \$500**, we must attach a completed Form 8283 (Noncash Charitable Contributions) to your return or the deduction isn't allowed. This requires that we list the recipient organization, address, description of the property donated, and the total fair market value of the items. Please use the returning client organizer section if this applies to you.

For donated **property with a value > \$5,000**, you're generally required to obtain a qualified appraisal and to attach an appraisal summary to the tax return. However, a qualified appraisal isn't required for publicly traded securities for which market quotations are readily available. A partially completed appraisal summary and the maintenance of certain records are required for (1) stock that isn't publicly traded and for which claimed deduction is greater than \$5,000 and no more than \$10,000, and (2) certain publicly traded securities for which market quotations aren't readily available.

O'NEIL & STEINER, PLLC

CHARITABLE CONTRIBUTION SUBSTANTIATION

For gifts of art valued over \$20,000 please contact the office directly.

If you receive goods or services, such as a dinner or theater tickets, in return for your contribution, your deduction is limited to the excess of what you gave over the value of what you received. For example, if you gave \$100 and in return received a dinner worth \$30, you can deduct \$70.

If you made a contribution of more than \$75 for which you received goods or services, the charity must give you a written statement, either when it asks for the donation or when it receives it, this tells you the value of those goods or services. Be sure to keep these statements.

You can substantiate a contribution that you make by withholding from your wages with a pay stub, Form W-2, or other document from your employer that shows the amount withheld for payment to a charity. You can substantiate a single contribution of \$250 or more with a pledge card or other document prepared by the charity that includes a statement that it doesn't provide goods or services in return for contributions made by payroll deduction. The deduction from each wage payment is treated as a separate contribution for purposes of the \$250 threshold.

Although you can't deduct the value of services you perform for a charitable organization, some deductions are permitted for out-of-pocket costs you incur while performing the services. You should keep track of your expenses, the services you performed and when you performed them, and the organization for which you performed the services. Keep receipts, canceled checks, and other reliable written records relating to the services and expenses.

As discussed above, a written receipt is required for contributions of \$250 or more. This presents a problem for out-of-pocket expenses incurred in the course of providing charitable services, since the charity doesn't know how much those expenses were. However, you can satisfy the written receipt requirement if you have adequate records to substantiate the amount of your expenditures, and get a statement from the charity that contains a description of the services you provided, the date the services were provided, a statement of whether the organization provided any goods or services in return, and a description and good-faith estimate of the value of those goods or services.

Please contact the office to schedule a consultation if you have additional questions or concerns.