



Tax Tips You Can Use May 2005
Charitable Contributions Part 1: Cash Donations
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People often ask their tax preparer how much they can contribute to charity. The answer to that question is “as much as you choose”. The question they mean to ask is how much charitable giving is deductible. The answer to that question is more complicated. Charitable contributions are separately deductible only when you itemize your deductions. In general, the limit on charitable giving is 50% of your adjusted gross income (AGI). AGI is the number on the last line of page 1 of your 1040. Certain contributions are limited to 30% or even 20% of your AGI, but those are not discussed here. If you donate more than 50% of your AGI in a single year, any excess can be carried over into future years.

Another question that is asked is what contributions are deductible. Internal Revenue Service publication #526 provides information about charitable giving and gives general guidelines on what are deductible contributions and what are not deductible. IRS publication #78 gives a detailed list of which organizations, by name, are qualified to accept deductible contributions. As a general rule, contributions are deductible if made to churches or other religious organizations, non-profit schools or hospitals, public parks, war veterans organizations, federal, state or local government entities- if the donation is for public purposes-, charitable organizations such as Goodwill, Salvation Army, Girl Scouts, Boy Scouts, and other organizations dedicated to the prevention of cruelty to children or animals. Contributions that are not deductible generally include those given to individuals, Chambers of Commerce, civic groups, country clubs, fraternal organizations, political lobbies, political candidates or parties (see Oregon state rules in the May issue), homeowners associations, and for-profit organizations. Expenditures for bingo and lottery tickets are not deductible as charity. In addition, the value of your time, your services or the blood given to a blood bank is not deductible.

The charitable deduction on schedule A or itemized deductions is comprised of three distinct methods of giving: cash, non-cash and out-of-pocket. A cash contribution as one paid by cash, check, credit card or payroll deduction. For any cash contribution over \$250.00, you, the donor, are responsible to obtain a written acknowledgement from the charity before you can deduct your donation. If you have payroll deductions made from each pay check or make weekly contributions to your church, each contribution is considered a separate contribution for the purposes of the \$250.00 limit. For contributions under the \$250.00 limit, the donor needs to be able to substantiate the donation with a cancelled check, pay stub, credit card slip or other statement or receipt.

If you receive any benefit from your donation, the benefit is not a contribution and must be subtracted from your deductible amount. These rules can get complicated so see your tax advisor. As a simple example, you must deduct the value of the cookies from your donation to the Girl Scouts during their cookie fundraiser. Also, you must subtract the value of any “\$5.00 off ticket” coupons from your donation to Britt.

Next month, I will write about non-cash and out of pocket contributions.

The fine print is that this article is for information only. Please call Kathy or a tax professional for questions about your individual tax situation. The Jacksonville Tax Lady can be reached at 541-899-7926 or at 610 North Fifth Street.

