



Tax Tips You Can Use Apr 2007

## **Charitable Contribution Changes in 2006**

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Federal law concerning charitable contributions changed in 2006. It is important to know about the changes so that you are documenting your contributions properly for 2007 and beyond. The changes affect both cash and non-cash contributions.

Cash contributions must now be documented with a receipt or canceled check for all amounts, no matter how small. This change took effect on January 1, 2007. This means the cash you put in the plate at Church on Sundays, or the money you put in the Salvation Army can at Christmas will no longer be deductible unless it can be substantiated by a receipt or canceled check. Your heart may urge you to put cash in the jar, but your head will tell you to make all monetary contributions by check. Remember, cash donations made to individuals are never deductible. Your heart will tell you to pull a tag off of the giving tree. Your head will say that if you want a tax deduction, you should write a check to a charitable organization (like Access, the fire department, or the Salvation Army) so that they can provide for the needy.

As in years passed, cash contributions in excess of \$250.00 need a receipt from the recipient organization. A canceled check is not acceptable. This receipt needs to indicate whether goods or services were provided in consideration of these contributions. Even if none were received the receipt needs to contain a statement to that effect, such as "No goods or Services were received". For all contributions where some goods are received, for example the \$5.00 off coupons for Britt membership, the value of the goods must be subtracted from the donation.

The rules for non-cash donations have been made more explicit. Federal Law does not allow a deduction for clothing and household items unless they are in "good used condition or better". This rule is in effect for contributions made after August 17, 2006. This was always the intent, however people abused the allowance by donating trash or broken items and claiming a deduction. The condition of donations you make to such organizations as the Salvation Army or Goodwill will need to be identified. Very often the organizations will not make this determination at the time of donation, so you make need to ask them to make a notation on the receipt. You can document the condition of your items yourself, by taking photographs or making lists with notations, before you donate the items.

It is necessary to obtain receipts for your non-cash donations. If your deduction for non-cash donations is greater than \$500.00, an additional tax form is required that lists the recipient, date and value of the donations. If you have a large amount of items to donate, it is best to donate only a few times during the year to one or two charities.

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.

