Charitable Contributions for Individuals
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1. **Training Objectives**
   When you have completed this training, you will:

   - Be familiar with the general terms associated with charitable contributions.
   - Know the difference between cash and non-cash (property) contributions.
   - Know which charitable contributions qualify as a deduction.
   - Know the elements of the different kinds of charitable contributions.
   - Be familiar with the resources at your disposal.
2. **Resources**

[www.IRS.gov](http://www.IRS.gov)

[www.taxalmanac.org](http://www.taxalmanac.org)

IRS Publications:

- 561 – Determining the Value of Donated Property
- 526 – Charitable Contributions
- 78 – Cumulative List of Organizations
- 1771 – Charitable Contributions, Substantiation and Disclosure requirements
- 4303 – A Donor’s Guide to Vehicle Donations

Form Schedule A 1040 – Itemized deductions

Form 8283 – non-cash charitable contributions

Form 8283-V – Payment voucher for filing fee under section 170(f)(13)

Form 8282 – Donee information return

Ordering forms: [irs.gov/formspubs](http://irs.gov/formspubs)

Contact the IRS:

[taxforms@irs.gov](mailto:taxforms@irs.gov)

800-829-1040
3. Course Overview

*Charitable Contribution Deductions for Individuals* introduces types of charitable contributions allowed by the IRS, types of organizations for which you are allowed to deduct donations, how much you are allowed to deduct, and required recordkeeping of your deductions.

a. What are charitable contribution deductions? Charitable contributions are donations or gifts given to or for the use of a qualified organization. The donation or gift is given voluntarily and nothing of equal monetary value is expected in return. (Publication 526, Introduction)

b. General guidelines for claiming charitable contribution deductions. The following guidelines must be met to be eligible to claim charitable contribution deductions:
   i. Individuals who file Form 1040 and itemize deductions using Schedule A can claim qualifying charitable contribution deductions.
   ii. Contributions made to the following types of organizations can qualify for deduction:
       a. Religious organizations, such as churches, synagogues, temples, and mosques
       b. Government entities, if your contribution is intended solely to serve the public
       c. Non-profit educational institutions
d. Non-profit health facilities
e. Public parks and recreation facilities
f. Tax-exempt organizations, also known as those holding section 501(c)(3) status, such as the Red Cross, United Way, and Salvation Army
g. Veterans groups

iii. Other types of contributions that can be deducted include:
   a. Student-related expenses for students living with you who are sponsored by a qualifying organization.
   b. Out-of-pocket expenses you incur when you volunteer your time or otherwise serve a qualified organization.

iv. Generally, the following types of contributions cannot be deducted:
   a. With some exceptions, contributions that are made:
      ○ To specific individuals, rather than to an organization
      ○ To non-qualified organizations
      ○ In exchange for benefits
      ○ From an IRA
      ○ To donor advised funds
   b. Your time or services
c. Appraisal fees
d. Your personal expenses, except those that are out-of-pocket qualifying expenses.

v. Records of contributions claimed as deductions must be kept. Types of recordkeeping vary depending on the type of contribution.

vi. Lastly, three general rules to keep in mind are that:
   a. You can only deduct donations of property (cash and non-cash), not services.
   b. What you deduct must not exceed the value of the donation.
c. The donation must have been given by December 31 of the year in which you claim the deduction. (Code Sec. 170 (a)(1))
4. Qualifying Individuals

a. Who can claim charitable contribution deductions and how much can be claimed? The following guidelines describe individuals who are eligible to deduct charitable contributions and describe limitations on deductions (Code Sec 170(b)(1)):
   i. Individuals who can itemize their deductions are eligible to claim charitable contributions.
   ii. Individuals who file Form 1040 and itemize deductions using Schedule A can claim qualifying charitable contribution deductions.
   iii. Deductions for charitable contributions are limited. Limitations are determined by the type of organization donated to and the type of donation (property) given.
      a. Generally, deductions for donations cannot exceed 50% of your contribution base, which is usually your adjusted gross income (AGI).
      b. There are limitations of 20%, 30%, and 80% for particular cases, which are discussed in the Limitations on Charitable Contribution Deductions section of this training module.
5. **Recordkeeping** (Code Sec 170(f)(17) and Code Sec 170 (f)(8))

For all cash contributions to a qualifying organization, one of the following records must be kept:

a. A bank record that shows the name of the qualified organization, the date of the contribution, and the amount of the contribution must be kept. A bank record can be:
   i. Your canceled check
   ii. Your bank or credit union statement
   iii. Your credit card statement

b. A written communication in the form of a letter or receipt showing the amount and date of the contribution, and name of the organization.

c. A payroll deduction record in the form of one of the following:
   i. A pay stub, W-2, or other document your employer furnishes that shows the amount withheld, and
   ii. A pledge card, provided by the charitable organization bearing its name.

*Note:* If you make a single donation of $250 through payroll deduction, the pledge card must include a statement that no goods or services were exchanged for the contribution.
Each record must show:

a. the date of the contribution,

b. the amount of the contribution, or in the case of non-cash property, a detailed description of the property, and

c. Bear the name and location of the organization to which the contribution was made.

*Note:* For donations made via text message, a telephone bill will serve as the record as long as it shows the required information.

*Example:* Mackenzie has a $10 donation taken out of each paycheck for Be Kind to Animals. Mackenzie’s W-2 shows the annual deduction and donation, and the name of the organization. Mackenzie’s W-2 serves as adequate proof of her donation.

For contributions of cash or property over $250, the same criteria must be met, however the gifted organization must also provide:

a. A statement that no goods or services were exchanged for the gift. One record can satisfy all record-keeping requirements.
Note: If goods and services were provided in return, a statement a) that those goods and/or services were intangible, such as with religious benefits, or b) of the value of those goods and services. See Goods and Services below.

Example: George makes a one-time donation through his employer as a deduction from his payroll of $300. George’s pay stub shows the amount and date of the donation, as well as the name of the organization. Several weeks later George receives a letter from the organization thanking him for the donation and stating that no goods or services were exchanged. George keeps both the paystub and the letter as proof of his donation as a qualified deduction.

i. For non-cash donations, you must also keep records bearing the fair market value of the property you donated and how the value was calculated, (i.e., an appraisal, in which case you must also keep the appraisal), information about depreciation or appreciation, any restrictions or terms of use associated with the property, and the amount you claimed.

ii. A separate acknowledgement by the gifted organization can serve for each donation of $250 or more, or a single record, such as an annual summary, can be used for several gifts of $250 or more.
iii. Records do not accompany your tax return. You are responsible for keeping records. Written acknowledgements must be received by the donor by the earlier of either the date on which the tax return is filed or the due date of the return.

iv. For non-cash contributions of more than $500, IRS Form 8283, Section A must be completed and attached with your return.

v. For non-cash contributions of more than $5,000, IRS Form 8283, Section B must be completed and attached with your return. An appraisal must be obtained to determine fair market value and retained for your records (Code Sec 170(f)(11)(c)).

vi. For non-cash contributions of more than $500,000, a qualified appraisal must accompany your return.

a. Goods and services. Goods and services provided in exchange for donations of $250 or more must be described in the acknowledgement provided by the organization. Goods or services may be cash, property, services, benefits, or privileges. The acknowledgment must provide a good faith estimate of the value of those goods and services provided. A donor can only claim a deduction based on the donation amount after the value of goods and services has been deducted.
Example: Sarah donated $300 to Good Stuff, Inc. In return, she received a massage valued at $70. Sarah may only claim $230 as her donation.

a. Insubstantial goods and services are considered exceptions to the acknowledgement requirements, and include the following:
   i. Token items: If the donation is made to a fund-raising campaign and the organization states the contribution amount is deductible, then goods and services exchanged for the donation are considered insubstantial as long as:
      a. The fair market value of the goods and services received is the lesser of 2% of the donation, or $96
      b. The goods bear the name or logo of the organization, and are within the limit for low-cost articles allowed by the IRS.
   ii. Annual memberships: If the membership is exchanged for an annual donation and provides the donor with rights and privileges, such as admissions or discounts to the organization’s events, or gift shop, then the goods and services exchanged are considered insubstantial.
   iii. Intangible religious benefits: An acknowledgment does not need to describe the goods and services exchanged if they are of an intangible religious nature, such as admission to a religious ceremony.

a. While services donated to an organization are not deductible, unreimbursed out-of-pocket expenses incurred in the performance of such service may be deductible (discussed in the Qualifying Donations: Cash section of this training module). If the out-of-pocket expenses incurred in a single event equal or exceed $250, a
written acknowledgment from the organization must be obtained. It should include:

i. A description of the service performed by the donor,

ii. A statement regarding the goods and services exchanged for the service, if any, and associated information about the exchange as described above.

a. The donor must keep accurate record of the unreimbursed expenses incurred because of the service provided.

Example: You speak as a presenter at a national conference of a charitable organization. It costs you $350 dollars to fly to the conference. The organization does not reimburse you for your flight. You must keep records of your flight expenses, and obtain a written acknowledgement from the organization that states what service you provided, and whether or not goods or services were exchanged.

b. A written disclosure statement is required for a *quid pro quo* donation over $75 made in exchange for goods or services, unless those goods or services fall under one of the exceptions as discussed above, or when the “donation” is for the actual item received, as in the case of a gift shop purchase. A written disclosure provided by the organization must state that only the donation above the amount of the exchanged goods or services is deductible, and the disclosure must provide a good-faith estimate of the value of the goods or services.
1. **Qualifying Organizations** (Code Sec 170(b)(1))
   
a. Organizations that qualify as deductible are tax-exempt and non-profit groups operating for one of the following purposes (Code Sec 170 (b)(1)(A):
   
   i. Religious
   ii. Charitable
   iii. Educational
   iv. Scientific
   v. Literary
   vi. The prevention of cruelty to children or animals
   vii. Certain organizations that foster amateur sports competition nationally and internationally

a. The following types of organizations qualify only if your donation is intended for the purposes noted in the bulleted list above:

   i. Community chest, foundation, corporation, or trust
   ii. War veterans’ organizations
   iii. Fraternal societies, orders, and associations operating under the lodge system
   iv. Certain non-profit cemetery companies or corporations

*Note:* You cannot deduct a donation for the purpose of sole care
of a particular crypt or individual remains.

v. Government entities

*Note:* Your donation must be made for public purposes only.

a. Examples of organizations that usually qualify:
   
   i. Churches
   
   ii. Non-profit educational institutions, such as colleges and museums
   
   iii. Endowment foundations
   
   iv. Non-profit hospitals and medical research organizations
   
   v. Public parks and recreation facilities
   
   vi. Civil defense organizations

a. Donations to Canadian, Mexican, or Israeli charities may be deductible if the organization qualifies, and, in the case of the North American charities, you have income from sources in Canada or Mexico, respectively. Deductions for Israeli charities have limitations. The organization may be able to tell you if it qualifies for a dedication.

b. IRS Publication 78 contains a list of organizations that qualify for deductible donation status. However, the list is not all-inclusive:
   
   i. If an organization is not listed in Publication 78 but has documentation stating that contributions can be deductible, in most cases the documentation will suffice as evidence that it is a qualifying organization.
      
      a. Organizations that are required to file annual returns but have not done so for two years may not be included in the list.
      
      b. Organizations can be deleted from the publication as the IRS determines they are no longer eligible to receive tax-exempt status.
c. Organizations that are not required to file for tax-exempt status may not be listed in the publication, such as churches and other religious organizations.
d. An addendum to Publication 78 is available that includes organizations that were not able to be included in the publication.
1. **Determining Fair Market Value (Code Sec 155(a)(4)(B))**
   a. Fair market value (FMV) is the price established for a property in the event it was to change hands between buyers and sellers who:
      i. Are under no duress or need to sell
      ii. Have reasonable information about the property, including relevant facts
   a. Determining FMV can be problematic. It is not possible to apply one simple formula, because no single formula applies to all situations and types of property. Consider the following factors:
      a. Market conditions can fluctuate, causing inaccurate representations of the true value of the property.
      b. Comparisons of similar properties are not always possible, and similarities can change over time.
      c. History cannot be used to predict the future value.
      d. Unexpected future events, such as changes in restrictions in use that were not planned for, can alter your expected valuation.
Example: You donate a house on the condition that your children will continue to live there as long as they choose. Your children move out of the house much sooner than you expected. You must not consider what the house would have been worth had they stayed as long as you had hoped, but rather, you must only consider the value of the house at the time the property changed hands.

b. Therefore, determining FMV, while not a formulaic approach, is one that relies on estimating desirability, use, and scarcity.

Example: Your mother has clothing from the 1940s that at the time of purchase were worth a great deal of money. You donate them to a qualifying organization. Before donating them, you take them to a vintage clothing store and ask what they would bring. You are surprised to learn that the amount is much less than what they were originally worth. However, you must only deduct what the market would bring today, not what they were worth new.
Note: Non-cash contributions over $5,000 must have a written appraisal establishing fair market value.

c. Things to consider when establishing fair market value are:
   i. The cost or selling price of the property, if:
      a. The sale took place within reasonable time of the date it was valued in the open market
      b. Both parties were aware of all relevant facts, and
      c. The market did not change
   i. Additional items to take into consideration when evaluating the fair market value based on the cost or the selling price include:
      a. The terms of the sale, including any restrictions or limits on use
      b. That the value of the property increased or decreased at a reasonable rate, unless you can prove otherwise
   ii. Sales of comparable properties, taking into consideration such things as:
      a. The similarities between the two properties being compared
      b. The time of the sale relative to the date of the valuation comparison
      c. Whether the parties were well-informed, and under no stress or pressure to sell
      d. That the market was in a similar state with no significant inflation or deflation
   iii. The cost to replace the property through buying, building, or manufacturing

Note: The cost to replace must reasonably relate to the cost of the selling price. Supply often determines the adequacy of considering replacement cost in valuation.
iv. Expert opinion in the form of a qualified appraisal. A qualified appraisal is required for donations over $5,000 and must:
   a. Bear the signature of the expert appraiser
   b. Bear the date of the valuation, and be no earlier than 60 days before the date of the donation
   c. The relevant requirements of Regulations section 1.170A-13(c)(3) and Notice 2006-96, 2008-48, I.R.B. 902
   d. Not involve a prohibited appraisal fee
   e. Include all relevant information

a. To follow is a guide for suggested approaches in determining the value of various kinds of ordinary property:
   i. Jewelry and gems: Because jewels and gems are unique, value should be established based on an appraisal by a specialized jewelry expert. The appraisal should describe:
      ● Color
      ● Weight
      ● Cut
      ● Brilliance
      ● Flaws
      ● Setting
      ● The style
      ● Its current recognized popularity, and if not, whether it could be easily altered to be in fashion

   *Note:* Sentimentality should not come into play unless the jewels were worn or owned by someone of significance to the public interest (i.e., a famous person).
ii. Objects of Art:
   a. Support your donation of paintings, antiques, or other art over $5000 with a written qualified appraisal by a qualified and reputable expert.
   b. Donations of art valued at $20,000 or more must be accompanied by:
      i. A complete copy of the signed appraisal
      ii. A photograph of the object of art that clearly indicates its size and quality (usually an 8” X 10” color photograph but not smaller than a 4” X 6” print reproduction).
   c. Donations of art valued at $50,000 or more must be accompanied by a Statement of Value, which can be requested from the IRS only before filing the tax return. You must also file a report including:
      i. A copy of the appraisal
      ii. A user fee of $2,500 payable to the IRS that applies to one, two, or three items of art. Each item of art of $50,000 thereafter requires an additional $250 user fee.
      iii. A completed Form 8283, Section B
      iv. The address of the IRS field examination office that has examination responsibility for your IRS territory’s returns

   Note: You can request that your Statement of Value be withdrawn at any time before the valuation occurs, however you will not be refunded the user fee.

iii. Stocks and bonds:
   a. The value of the stocks or bonds is the fair market value of the share on the date of the valuation.
   b. If the market was active on the date of the valuation, the average price of the share is determined by adding the highest and lowest price together, then dividing by 2.
Note: When the actual price cannot be established or when there is differing information, use the average between known prices before, after, and/or as close to the date of the established valuation.

c. Large blocks of stock can affect the market price either by increasing or decreasing the price of the shares, therefore the opinion of an expert specializing in trading should be sought for determining the valuation of large blocks of stock.

iv. Collections:

a. Determining fair market value of personal collections can prove to be difficult, however there are a number of reference materials to assist in accurate valuation, such as:

v. Catalogs
vi. Dealer’s price lists
vii. Specialized hobby periodicals

Note: If you rely on these types of materials, be sure to use the most recent edition at the time of the valuation, and to consider carefully other avenues in addition to the prices listed in the reference materials.

b. Collections may include, but are not limited to:

viii. Rare books
ix. Autographs
x. Sports memorabilia
xi. Dolls
xii. Manuscripts
xiii. Stamps, to which you can often find valuation information in library catalogs
xiv. Coins, for which there are categories determined for the condition of the coin, and because of which valuation can vary greatly:
   - Mint or uncirculated
   - Extremely fine
   - Very fine
   - Fine
   - Very good
   - Good
   - Fair
   - Poor
xv. Guns
xvi. Phonograph records
xvii. Natural history items
c. Collections vary greatly in type and valuation, but the same approach described for valuation of objects of art can be applied to valuation of collections.
v. Life insurance and interests for, and annuity contracts (Code Sec 170(f)(10)):
   a. Life insurance, annuities, and interests for life or terms of years, remainders, and reversions have their own sets of qualifications. Refer to the IRS publication 561 for more information.
vi. Interest in a business, wherein valuation is based on the fair market value of:
   a. The business’ assets
   b. An evaluation and determination of the business earnings capacity based on past and current earnings

Note: Methods used to evaluate corporate stock can be applied to determining the value of interest in a business

vii. Real Estate:
a. Real estate presents its own set of complications, and therefore requires an appraisal by a qualified appraiser.

b. Deductions for contributions of partial interest in a property not held in trust are not allowed, except in cases of:
   
   i. A contribution of real estate interest for the use of conservation, given to a qualified organization, known as a qualified conservation contribution (Code Sec 170(h)(1)).

   Conservation uses include:
   
   - Land preservation for public use of outdoor enjoyment or education
   - Wildlife habitat protection
   - Open-space preservation
   - Historical significance preservation

   *Note:* Qualified conservation contributions are varied and unique and therefore each may have its own respective set of qualifications. Refer to the IRS publication 561 for more information.

i. Used clothing (Code Sec 170(f)(16)):

   The clothing donated must be in good or better condition, and valuation of the clothing can be best determined by how much it would sell for in a used clothing or thrift store.

   *Note:* Clothing is typically worth far less than its original cost.

ii. Household items (Code Sec 170(f)(16)):
a. Household items, such as appliances, bedding, draperies, linens, and furniture, must be in good or better condition to be deductible.
b. Valuation of the items is typically extremely low, unless it is considered collectible or antique.
c. If your deduction for a household item is over $500, you must have a qualified appraisal.
d.  
   *Note*: In order to be deductible, clothing and household goods must be in good condition, or better.

iii. Cars and aircraft (Code Sec 170(f)(12)):
   a. The FMV of any donated car or aircraft deducted on your tax return must be established.
   b. You may find pricing information for the specific year, make, and model of the car, boat, or airplane, including consideration of geographic location, mileage, and physical condition. Information may be found:
      - At a bank or credit union
      - At a library
      - On the internet
   
   *Note*: Special rules apply to vehicle donations.

iv. Boats: Because the physical condition of a boat is critical to its value, the FMV of any donated boat—except for inexpensive small boats—must be established by a marine surveyor.

   a. Appraisals are necessary for deductions of more than $5,000, except for:
      i. Single items of household goods or clothing donated after August 17, 2008, for which you claim a deduction of $500 or more and which is not in good or better condition.
Note: The cost of appraisals is not deductible.

a. You must get an appraisal for deductions of more than $5,000, except for:
   i. Stock of $10,000 or less that is not traded publicly
   ii. A car, boat, or aircraft, if the deduction is based on the gross proceeds of its sale
   iii. Certain intellectual property

a. You are responsible for submitting the necessary information about how you determined fair market value of your charitable contribution. Regardless of what you submit, the Internal Revenue Service may make a determination of FMV based on any of the following:
   i. Additional information they request from you
   ii. The expert opinion by a service appraiser, independent dealer, scholar, or other valuation specialist
   iii. A referral to the Commissioner’s Advisory Panel

i. Penalties apply for overstating the value of your contribution.
a. **Qualifying Donations** (Code Sec 170(e)(3)(A))
   a. Contributions of cash and of non-cash (property, items, or things) can be eligible for deduction. Some general rules are listed here as a guide:
      i. A pledge to donate is not deductible. You must pay or donate by December 31 of the year in which you claim the deduction.
      ii. If your donation is exchanged for any goods or service from which you benefit, you can only deduct the donation less the fair market value of the goods or service.
      iii. If the fair market value of an item or service that you purchase through a contribution is less than the amount you paid, you can deduct the difference.

*Example:* Geraldine purchases a vase from a fundraiser for $25. She later sees the vase at a retail outlet priced
at $15. Geraldine can deduct $10 as a donation to the charity.

b. **Cash**

To review, accurate records must be kept and are the responsibility of the taxpayer. One of the following must be kept for all cash contributions to a qualifying organization:

iv. A bank record that shows the name of the qualified organization, the date of the contribution, and the amount of the contribution. A bank record can be:
   - Your canceled check
   - Your bank or credit union statement
   - Your credit card statement

ii. A written communication in the form of a letter or receipt showing the amount and date of the contribution, and name of the organization.

iii. A payroll deduction record in the form of one of the following:
   - A pay stub, W-2, or other document your employer furnishes that shows the amount withheld, and
   - A pledge card, provided by the charitable organization bearing its name.

*Note:* If you make a single donation of $250 through payroll deduction, the pledge card must include a statement that no goods or services were exchanged for the contribution.
c. Each record must show:
   ii. the date of the contribution,
   iii. the amount of the contribution, or in the case of non-cash property, a detailed description of the property, and
   iv. Bear the name and location of the organization to which the contribution was made.

   Note: For donations made via text message, a telephone bill will serve as the record as long as it shows the required information.

d. For contributions of cash or property over $250, the qualifying organization must also provide:
   v. A statement that no goods or services were exchanged for the gift. One record can satisfy all record-keeping requirements.

   Note: If goods and services where provided in return, a statement must be made that a) those goods and/or services were intangible, such as with religious benefits, or b) the value of those goods and services. See Goods and Services below.

   a. Refer to the section on Recordkeeping in this module for more information.
   b. Contributions made to qualifying charitable organizations cannot be deducted if they entitle you to benefits, except under certain conditions:
      i. Insubstantial goods and services: When you receive goods or services in exchange for your contribution, you
may deduct your contribution only if those goods or services qualify as insubstantial.

ii. Token items: These include items bearing the organization’s logo, such as coffee mugs or pens, and which carry little to no monetary value.

iii. Membership fees or dues: The deduction for donations made to qualifying organizations that gain you membership to the organization may be deductible, but only the amount donated beyond that of the membership value.

iv. Intangible religious benefits: If you receive intangible religious benefits in exchange for your donation, your donation may still be deducted.

a. While you may not deduct your time or labor for services donated to a qualifying organization, you can deduct qualified out-of-pocket expenses incurred during your service (Code Sec 170(f)(6)). Such expenses may include:

i. Mileage, when using your vehicle to drive for the purposes of volunteerism or donating to an organization. Mileage is deductible at $0.14 per mile (Code Sec 170(i)).

*Example:* You buy supplies for a local homeless shelter. You can deduct the mileage incurred for driving to purchase those items.
b. Qualified out-of-pocket expenses include those for:
   i. Conventions of qualified organizations that you attend as a chosen representative and associated travel costs for attending
   ii. Underprivileged youth chosen by a qualified charity for whom you pay to attend athletic events, movies, or dinners.
       - You may not deduct your tickets or meals.
   iii. Uniforms that you must wear to perform a service that are not suitable to wear otherwise can be deducted.
   iv. Church deacon-related expenses can be deducted as long as you are in a permanent diaconate program and are for items such as:
       - Vestments
       - Books
       - Transportation related to service in the program
       - Other items purchased for use by the organization

Example: Sally donated her time and home to the care of felines in need of medical care and spaying. Sally purchased food and litter for the cats. Sally deducted her out-of-pocket expenses for the care and feeding of the animals she provided as service to the qualified organization.
v. Car expenses incurred while providing service to a qualified organization, including for the cost of:
   - Parking fees
   - Tolls
   - Fuel and oil

   *Note:* Alternatively, you may deduct the standard mileage rate, instead of the actual cost of the fuel and oil. Parking and tolls can still be deducted, whether you use actual fuel/oil costs or the standard mileage rate.

i. Travel expenses incurred while providing service to a qualified charitable organization while you are away from home, including:
   - Air, rail, and bus fares
   - Out-of-pocket expenses for use of your car
   - Lodging
   - Meals

   *Note:* Any of these expenses beyond those covered by a per diem (daily allowance) provided by the organization can be deducted.

   *Note:* The deduction is only allowed if there was no significant element of personal pleasure, recreation, or vacation involved.
Example: You are allotted $15 per day while attending a convention. Your lodging is $100 per night, and you must pay for your lunch each day at $10, and your dinner each evening at $20. You may deduct $115 per day (the total of your expenses minus the per diem allotment).

ii. Expenses paid for a student living with you are deductible when the following criteria are met (Code Sec 170(g)(1)):
   a. The student is sponsored by a qualified charitable organization, and you have a written agreement with the organization stipulating that the student reside in your home.
   b. The purpose of the student living with you is to provide educational opportunities for the student.
   c. The student is not your relative, defined as:
      i. Your child (biological or adopted), step child, foster child, or descendant of any of them.
      ii. Your sibling, half-sibling, or step-sibling or their children.
      iii. Your parents, step-parents, or their siblings, or grandparents, or direct descendants.
   i. The student is a full-time student in a K-12 program at a school in the United States.
ii. Qualifying expenses include the cost of:
   a. Books
   b. Tuition
c. Food  
d. Clothing  
e. Transportation  
f. Medical and dental care  
g. Entertainment  

iii. Non-qualifying expenses include:  
   a. Depreciation of your home  
b. FMV of lodging  
c. Taxes  
d. Insurance  
e. Home repairs  
f. Reimbursed expenses (any expenses you spend on the student for which you are reimbursed)  

*Note:* If your child will live with a family in a foreign country as part of a mutual exchange program, you may not deduct expenses for the student you host.  

a. Non-cash (property)  
   In review, accurate records must be kept, appropriate forms must be submitted to the IRS with your tax return, and all records and submissions are the responsibility of the taxpayer.  
   i. For non-cash contributions of more than $500, IRS Form 8283, Section A must be completed and attached with your return.  
   ii. For non-cash contributions of more than $5,000, IRS Form 8283, Section B must be completed and attached with your return. An appraisal must be obtained to
determine fair market value and retained for your records.

iii. For non-cash contributions of more than $500,000, a qualified appraisal must accompany your return.

a. Refer to the section on Recordkeeping in this module for more information.

b. Contributions made in exchange for a ticket to an event are deductible when:
   i. Made to a qualifying organization
   ii. The purchase price of the tickets is less than the contribution, in which case the difference between the two is the deductible amount

*Note:* The individual must provide evidence of the differentiation between the two.

*Example:* Susan purchases two tickets to a sneak-peek of a premiere movie for $80. Each ticket had “Contribution - $40” printed on it. The regular ticket price was $10 each. Susan can deduct the contribution of $60.

a. Contributions of a partial interest in a property are generally not deductible, except when the donation is:
   i. Of an undivided portion of the entire interest in the property
   ii. Of a remainder interest in a personal residence or farm (Code Sec 170(f)(4))
iii. Of a partial interest transferred from a trust (Code Sec 170(f)(3))

iv. Of a purchase of a charitable gift annuity

Note: For individuals who wish to make a contribution of a long-term capital gain property, a special election is available which can allow the donation to be categorized as a 50% contribution, instead of imposing the 30% or 20% limit.
1. Contributions You Cannot Deduct (Code Sec 170(f)(1))
   a. You cannot deduct contributions given to the following:
      i. Individuals, or any contributions intended for the use of a specific individual
      ii. Foreign governments
      iii. Country clubs and other social clubs
      iv. Political parties, campaigns, or action committees
      v. For-profit schools and hospitals
   v. Donor advised funds, if:
      a. The sponsoring qualified organization is a war veterans’ organization, a fraternal society, or a non-profit cemetery company
      b. The sponsoring organization did not provide you with a written acknowledgment that they have sole rights and control to the contribution.
   vi. Non-qualified organizations, such as
      a. Labor unions
      b. Chambers of commerce
      c. Business associations
   a. You cannot deduct for donations of:
      i. Fees or dues paid to professional associations
      ii. Contributions from which you benefit
      iii. Fines or penalties paid to local or state governments
iv. Services rendered to a non-profit
v. Appraisal fees
vi. Blood
vii. Lobbying activities of direct financial interest to the individual, with some exceptions
viii. Legislative influencing, even if the contribution is made to a qualifying organization
ix. Out-of-pocket expenses, except for those organizations considered to be qualified charitable organizations
x. The value of your time lost from work or earnings for time that you donate as a volunteer
xi. Meals taken while you provide service, unless you are away from home (as in traveling)
xii. Fees for adopting a child

a. Contributions to donor advised funds, when the funds are for non-charitable purposes, if:
   i. Property that is transferred to a charitable organization with a reasonable expectation that a financial return equal to that of the value of the property transferred is not deductible.
   ii. Promissory notes are not considered deductible contributions until payment is actually made. The date of payment is the date on which you can claim the deduction.
   iii. Options to purchase cannot be deducted until the organization acts on the option by making a purchase.
   iv. A conditional gift that depends on an act or event taking place can only be deducted if it is very unlikely that the act or event will not take place. If there is a real possibility that the act or event will not take place, you cannot claim the deduction, or if the event could take place later and undo your contribution, you cannot take a deduction.
Example: You donate funds to an organization to build a new recreation center for the community, on the condition that your donation is refunded if the rest of the necessary funds are not raised. You cannot claim your deduction until there is no chance of a refund.
1. **Limitations on Charitable Contribution Deductions**
   a. The deductions you can claim may be limited. Limits may be specific to the kind of contribution you made, the kind of organization you donated to, or there may be limits on your itemized deductions. (Code Sec 170 (b)(1)(E)(i))
      i. Out-of-pocket expenses are limited by the kind of organization to which you performed when the expenses were incurred.

*Example:* If you incurred expenses while distributing fliers for your local church, your out-of-pocket expense is limited by 50% of your adjusted gross income (AGI), because the church is a 50% limit organization.

a. General rules apply as follows:
i. All contributions can be deducted in full up to 50% of your contribution base (AGI), however limits on donations of qualified conservation contributions may be higher.

*Note:* Your contribution base is your adjusted gross income (AGI) without any net operating loss carry-back. Your contribution base is often referred to as simply your AGI.

i. Donations to 50% limit organizations (listed below) have no other limitations, except:
   a. A 30% limit applies for capital gain property contributions at FMV with no reduction for appreciation.

*Note:* Contributions made in excess of these limits can be carried over to the following year, up to a maximum carry-over of five years (Code Sec 170(d)(1)).

i. Some of the following qualify as 50% limit organizations:
   a. Churches, including conventions or associations of churches
   b. Educational organizations
   c. Hospitals, including medical research organizations associated with them
   d. Certain government entities
   e. Corporations, trusts, community chests, or foundation for charitable, religious, education, scientific, or literary purposes or for the prevention of cruelty to children or animals.
ii. Donations to all qualified organizations other than 50% limit organizations are subject to a 30% limit, except:

a. Gifts of capital gain property are subject to the 30% (Code Sect 170 (b) (3)).

b. Qualified organizations other than 50% limit organizations include but are not limited to:
   i. Non-operating foundations
   ii. War veterans’
   iii. Fraternal organizations and public cemeteries

c. Property contributions can be deducted in full up to 30% of your contribution base:
   i. Ordinary income property contributions to qualified tax-exempt organizations are limited to 50% of the contribution base, with some exceptions.
   ii. Ordinary income property contributions to the following organizations can be deducted but with limitations:
   iii. Ordinary income property contributions made for the use of tax-exempt organizations, rather than to the organizations, have limitations.

a. Capital gains asset contributions to qualified tax-exempt organizations can be deducted in full up to 30% of your contribution base:

b. The 30% limit for capital gain contributions is separate from the limit to 30% limit organizations. Therefore, one 30% deduction does not reduce the amount of the other 30% deduction.

c. A 20% limit of all gifts of capital gain property applies for donations made to or for the use of qualified charitable organizations, except those made to 50% limit organizations.
d. Contributions of qualified conservation contributions made for tax years before 2013 can be deducted at 50% of the contribution base, and excess above the 50% can be carried over for 15 years.

e. Qualified conservation contributions made in 2013 are limited to deductions of up to 20 or 30% of the contribution base for capital gain appreciated property, and excess above the 20 or 30% can be carried over for 5 years.

f. A deduction limit of 100% is set for individuals with more than 50% of their gross income from farming or ranching.

Note: For donations made before 2013, the donation must remain used for agricultural or production of livestock to qualify for the 100% limit.

a. A contribution made to a college or university that allowed the individual the right to purchase tickets to an athletic event is 80% deductible.

Example: You purchase a membership to My Great University for $200 that allows you to attend special sports events at a reduced cost. You can deduct $160, which is 80% of the membership. If your purchase of the $200 membership included the cost of one ticket to a
special event, your deduction would be $200 minus the cost of the ticket ($50) totaling $120 (80% of $150).

*Note:* The limit applies regardless of if the tickets would have been available if payment had not been made.

a. A donation made to a donor advised fund is deductible if:
   i. The sponsoring organization is not a cemetery, war veterans’ organization, or other limited type of organization.
   ii. A written acknowledgment of exclusive legal control over the asset is obtained from the sponsoring organization
2. **Timing and Planning Your Contributions**
   a. **Timing:** You must make the donation by December 31 of the year in which you claim it—you cannot have simply pledged a donation.
   b. **General guidelines for accurate timing of your deduction follow:**
      i. A check is considered delivered on the date you mailed it.
      ii. Credit charges are deductible in the year you make the charge.
      iii. Pay-by-phone charges can be applied for the year in which the financial institution shows the payment was issued.
      iv. Stock certificates are deductible on the date of mailing.
      v. Promissory notes are not considered deductible contributions until payment is actually made. The date of payment is the date on which you can claim the deduction.
      vi. Options to purchase cannot be deducted until the organization acts on the option by making a purchase.
vii. Using borrowed funds to make a donation does not affect the date of the donation. The date you made the donation is the date of the deduction regardless of when or if the loan is repaid.

viii. A conditional gift that depends on an act or event taking place can only be deducted if it is very unlikely that the act or event will not take place. If there is a real possibility that the act or event will not take place, you cannot claim the deduction.

a. Planning. For individuals with appreciated assets, you may have more to gain from donating the asset versus selling it, and donating the proceeds. Consider:
   i. Donating the asset allows you to avoid paying the capital gains tax.
   ii. The deduction amount will be accurately reflected by the fair market value of the asset at the time of the donation, though an appraisal may be needed.

   Note: Additional limitations and elections should be considered when donating assets.

a. When deciding on a large contribution, consider:
   i. Your prospective estate tax brackets, and the impact of donating during your lifetime, or at the time of your death.
   ii. Income tax deduction limitations versus estate tax charitable contribution deduction limits, of which there are none
3. **Glossary of Terms**

*Adjusted gross income (AGI):* Adjusted Gross Income is defined as gross income minus adjustments to income.

*Arm’s length transaction:* A transaction in which the buyers and sellers of a product act independently and have no relationship to each other. The concept of an arm's length transaction is to ensure that both parties in the deal are acting in their own self interest and are not subject to any pressure or duress from the other party.

*Cash contributions:* Contributions made by cash, check, money order, or payroll deduction.
Charitable contribution: A contribution of cash or property made to an organization that qualifies as a charity.

Contribution base: The taxpayers’ adjusted gross income without taking into account any net operating loss carry-backs.

Fair market value: An estimate of the market value of a property, based on what a knowledgeable, willing, and unpressured buyer would probably pay to a knowledgeable, willing, and unpressured seller in the market.

Non-cash contribution: Contribution of an item, collection of items, or property including real estate to a charitable organization.

Qualified charitable organization: An organization operated exclusively for religious charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to animals or children.

Qualified conservation contribution: Conservation contribution as a contribution of a qualified real property interest to a qualified organization to be used exclusively for conservation purposes.

Quid pro quo: A relatively equal exchange or substitution of goods or services.