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Pay Attention to the IRS Rules for Charitable Deductions

As the year draws to a close, you may decide to donate cash or property to one or more worthy causes. Besides the satisfaction of helping others, there's another reward for your benevolence: a tax deduction on your 2014 return. But the IRS recommends that you keep the following points in mind:

1. You may only deduct contributions made to a legitimate tax-exempt charitable organization.
2. Charitable contributions reduce your taxes only if you itemize your deductions.
3. To claim an itemized deduction, you're required to have support for all cash contributions, no matter the amount. A bank statement, a copy of the cancelled check, or a credit card record will usually suffice for donations under $250.
4. In the case of payroll donations, your pay stub or W-2 can back up your deduction.
5. For donations of $250 or more, a statement from the charity is required, giving the charity's name, the date, the amount of your donation, and the value of goods and services received for the donation, if any.
6. The substantiation rules for noncash donations differ depending on the type of property and its value.
7. You'll need a "contemporaneous" written acknowledgment from the charity for donations of $250 or more. As a general rule, "contemporaneous" means you must receive the acknowledgment before you file your return or before the due date of your return, whichever is earlier.
8. Typically, you may deduct the fair market value of gifts of property owned longer than one year. Any appreciation in value remains untaxed.
9. You can secure deductions late in the year by donating to charity by credit card. As long as the charge is posted in December, you can deduct it on your 2014 return, even if you don't pay the credit card bill until 2015.

If you have questions about documentation for your charitable donations, contact our office.