

Five Issues to Consider When Making Charitable Donations

Do you plan on making contributions to charity this year? If you're in a giving mood, you may be rewarded with sizeable charitable deductions on your tax return. But the tax law is fraught with numerous twists and turns, so you must be careful to navigate the rules.

Important: Under the Tax Cuts and Jobs Act (TCJA), the standard deduction was effectively doubled, while certain itemized deductions (including for charitable donations) were scaled back or suspended for 2018 through 2025. For 2019, the standard deduction is \$12,200 for single filers and \$24,400 for joint filers. As a result, you may not itemize deductions this year, even if you've consistently done so in the past. The bottom line is if you don't itemize and take the standard deduction, you can't deduct charitable donations.

Before you go any further, assess your current situation. All other things being equal, you might want to "bunch" charitable donations in a year in which you expect to itemize — whether it's this year, next year or the one after. Otherwise, you get no tax benefit from your generosity. We can help you crunch the numbers.

Here are five other key tax issues relating to charitable donations.

1. Tax-exempt status. You're not guaranteed a tax deduction just by contributing money or property to a worthy cause. To qualify for deductions, the recipient organization must meet the requirements for tax-exempt status.

Generally, an organization will qualify under Section 501(c)(3) of the tax code if it provides services in one of these categories:

- Educational;
- Religious;
- Charitable;
- Scientific;
- Literary;
- Public safety;
- Certain amateur sports competitions; or
- Prevention of cruelty to children or animals.

If you contribute to a charity designed to benefit a single person, not a group, you can't deduct the donation, despite your good intentions. Verify an organization's tax-exempt status before you make large contributions to it.

2. Monetary contributions. When you make cash or a cash-equivalent contribution to a qualified charitable organization, you can generally deduct the full amount of the contribution if you itemize deductions. Under the TCJA, your annual deduct is limited to 60% of your adjusted gross income (AGI), up from 50% of AGI. Any excess may be carried over for up to five years.

Be aware that the IRS imposes strict recordkeeping rules for monetary contributions. For instance, for cash donations of \$250 or more, you must obtain a contemporaneous written acknowledgment from the charity. You must obtain this before filing your return.

3. Property contributions. Several special rules apply to charitable gifts of property like securities or antiques. For starters, the annual deduction limit is 30% of AGI, half of the monetary contribution limit.

However, there's a big tax break if you donate property that would have qualified for a long-term capital gain (you've held longer than a year) if you had you sold it instead of donating it. In this case, you can deduct the property's current fair market value, instead of its cost. Thus, any appreciation in value while you owned the property will be untaxed.

Also, note that gifts of property must be used to further the charity's tax-exempt mission. For example, if you donate artwork to a museum, it must be prominently displayed where the public can view it. Similarly, if you give clothing to a goodwill organization, it must be made available to potential recipients.

Finally, be aware that an independent appraisal is required for property valued above \$5,000. The appraisal must be attached to your tax return.

4. Quid pro quo contributions. Generally, if you receive a benefit in return when you make a donation, the deduction amount is reduced. For a "quid pro quo contribution" for goods or services exceeding \$75, the charity must provide a good faith estimate of the goods and services received and the amount exceeding the benefit's value. You can deduct the difference — nothing more.

Example: You and your spouse attend a fundraising dinner costing \$500 a head. If the charity values the meal at \$200 per person, your deduction is limited to \$600 (\$300 difference x 2). However, most low-cost items and nominal gifts, like coffee mugs or pens featuring the charity's logo, don't have to be discounted.

5. Volunteer services. Although you can't deduct the value of the time you spend helping a charity, you can still write off your out-of-pocket expenses if you itemize deductions. This includes items like supplies, travel and lodging at a convention where you're a delegate. However, travel expenses can't be deducted if the trip is merely a disguised vacation.

If you need special clothing to conduct charitable activities — for example, Boy Scout or Girl Scout uniforms for troop leaders — you can deduct the cost. However, for 2018 through 2025, the TCJA says you can't write off the cost of maintaining and cleaning these uniforms as miscellaneous expenses.

If you determine that this will be a year you'll itemize deductions, you might want to boost your charitable contributions before the end of the year. Any additional contribution you make is "gravy" on your tax return.

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