

# Do You Keep Adequate Records to Claim Charitable Contribution Deductions?

The IRS rules for substantiating deductions for charitable contributions are strict. But for those who adhere to those rules, donations to eligible causes may be rewarded at tax time. As the year comes to a close and with it, the opportunity to reduce your 2016 tax bill, you may be feeling even more generous than usual. Before you follow your charitable inclinations, know what proof you'll need to support your donations and secure your tax benefits.

## Overview of Recordkeeping Requirements

For federal income tax purposes, charitable donations aren't deductible if you take the standard deduction. Taxpayers who itemize deductions are generally entitled to deduct the fair market value (FMV) of donated property that's been held longer than a year, even if the property has appreciated in value. But strict substantiation requirements apply to all charitable contributions. If you fail to maintain timely, detailed records or overestimate an item's FMV, the IRS may challenge a deduction for donated personal property, claiming that the amount has been inflated.

The IRS suggests using guidelines from charities, such as the Salvation Army or Goodwill, to establish the FMV of household items that have declined in value over the years. To qualify for any deduction, the items must still be in good condition. The specific recordkeeping requirements for noncash contributions depend on the value of the gifts.

**Gifts under \$250.** Obtain a receipt from the charity showing the name of the organization, the date and location of the contribution, and a detailed description of the property. However, you're not required to get a receipt when it's impractical. For example, no receipt is required if you leave property at a charity's unattended drop box after hours. You must also keep other reliable written records, including the FMV of the donated items and how you arrived at that amount.

**Gifts of \$250 to \$499.** Obtain a written contemporaneous acknowledgment from the charity, describing the property and specifying whether you received any benefits in return for your gift. If you received benefits, provide a good-faith estimate of the value of such benefits.

How does the IRS define contemporaneous?

1. The date you file your tax return, or
2. The due date for the return (including any extensions).

*Important note:* An acknowledgment is required for each contribution of \$250 or more, even if several donations are made to the same charity during the tax year. Multiple contributions aren't aggregated for purposes of the \$250 limit as long as they're made on separate occasions.

**Gifts of \$500 to \$4,999.** In addition to other substantiation requirements, maintain records of the approximate date the property was acquired, the manner of its acquisition, a detailed description of the property, the cost or other basis of the property, the FMV of the property when it was donated and the method you used in determining the value. For this category, contributions of "similar items" must be aggregated.

**Gifts of \$5,000 or more.** In addition to the previously mentioned recordkeeping requirements, provide an independent appraisal of the donated property. Attach a copy of the appraisal to your federal income tax return. When determining whether your deduction is over \$5,000, combine deductions for all similar items donated to any charitable organization during the year.

## **Bottom Line**

The IRS often challenges deductions for large donations of used property. When making charitable donations, there's no substitute for accurate recordkeeping. Make sure you comply with the strict letter of the law so you can withstand any potential IRS challenge to your deductions. Contact your professional tax advisor if you're unsure about the substantiation requirements or need to be referred to a qualified appraisal professional.

**The Law Office of Eugene Gorrin, LLC**  
**17 Watchung Avenue, Suite 204**  
**Chatham, NJ 07928**  
**973.701.9300**  
[egorrin@gorrinlaw.com](mailto:egorrin@gorrinlaw.com)  
[www.gorrinlaw.com](http://www.gorrinlaw.com)