

## What's your charitable contribution worth?

*December 31, 2006 – As published in the Naperville Sun*

For most people, keeping up with the tax law changes seems to be a never-ending race. Recent changes to the law affect those "giving souls" who are generous enough to make charitable contributions. I am often asked by clients (and family members), "How much can I give away and take a deduction for on my taxes without raising a red flag to the IRS?"

The truth is, there's no magical amount to use as a threshold, as the myths would have it. You can take an itemized deduction on your income tax return for the amount you give to qualified charitable organizations.

The real confusion lies with how much the donation is worth and what records must be kept. Recently the IRS issued some clarification.

Here is a more detailed look at some guidelines the IRS issued in the latest tax act on how much you can take a deduction for.

Cash is cash. If you donate cash to a qualified organization, you can deduct the exact amount you donated ... but you had better be able to prove it. New for tax years starting in 2007, the IRS will disallow a deduction for any contributions of cash (regardless of the amount and whether by cash, check or other monetary method) unless the donor (taxpayer) maintains a record of the contribution by way of either a written acknowledgement from the donee organization, a bank record or other written documentation showing the name of the donee organization, the date of the contribution and the amount of the contribution.

Donations of non-cash items, such as clothing or other household items, become a little more complex. For contributions made after Aug. 17, 2006, no deduction is allowed for contributions of clothing and household items that are not in "good used condition or better." In addition, the IRS may deny a deduction for any contribution of clothing or household items with a minimal monetary value, such as socks and undergarments. You should keep a detailed description of what is being donated and, if possible, copies of the receipts. For non-cash donations over \$500, Form 8283 is required to be filed with the tax return, and for non-cash donations over \$5,000, Form 8283 and an appraisal must be filed with the tax return.

The spirit of giving has not changed, but as you can see, the IRS is tightening the rules as they apply to tax deductions for charitable contributions. There are more stringent guidelines that pertain to donations of vehicles or appreciated property. You should consult your tax professional before making such contributions to ensure you follow the proper procedures to claim the deduction.

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