

How To Properly Document Your Charitable Contributions for Tax Purposes

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Sometimes, it truly is better to give than to receive, especially when tax time rolls around and you're looking for ways to reduce your reported income. The more generous you are, up to a point, the bigger your deduction, and the lower your tax obligation.

The drawbacks are few: You need to itemize your deductions instead of claiming the standard deduction, and you must document your charitable contributions. With the IRS gearing up to take a closer look at tax returns — especially those of high-income individuals — keeping detailed documentation is more important than ever.



In this SWC singlette, we offer some general guidance on claiming deductions for charitable contributions. We also provide detailed guidance on how to document those contributions to maximize your tax benefits and get something back for your generous philanthropic efforts.

Choose Eligible Charities

The first step to claim deductions for charitable contributions is to donate to organizations that have a legitimate tax-exempt status. Only donations made to eligible nonprofit organizations, such as registered charities, religious organizations, educational institutions, and certain foundations, can be claimed as deductions on your tax return.

The IRS maintains a searchable database of qualified organizations on its website. Before

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donating to an organization, you can check to see whether it's in the [IRS database of tax-exempt organizations](#). Use the Internal Revenue Service's (IRS's) Tax-Exempt Organization Search tool at apps.irs.gov/app/eos.

Keep Detailed Records

Maintaining accurate records is essential when claiming deductions for charitable contributions.

Warning: *When you donate, don't forget to ask for a receipt or acknowledgment letter from the charity, which should include the charity's name, the date of the donation, and the amount donated. These records are crucial when you file your tax return and need to prove your deductions.*

Specific documentation requirements are as follows:

- **Cash contribution:** When you make a cash contribution, your bank record of the cash withdrawal or a written receipt from the charitable organization that includes the name of the charity, donation date, and the contribution amount, qualifies for your documentation needs. And to make it even easier, an email message from the charitable organization serves as sufficient proof.
- **Goods or services in exchange for cash:** If you receive goods or services that don't have substantial value (such as a mug, t-shirt, pen, or key chain) in exchange for your cash donation, you don't need to subtract their value from your cash contribution. In 2023, the item can't cost the organization more than \$12.50. Otherwise, if you obtain something of value in excess of \$75, you must provide a good faith estimate of what you received and reduce your charitable contribution by that amount.
- **Payroll contribution withheld from wages:** If contributions were withheld by your employer from your wages, your W-2 or payroll stub serves as the required documentation. Each payroll deduction is treated as a separate contribution for purposes of the \$250 contribution threshold.
- **Property valued less than \$250:** If you donate property valued at less than \$250, you need to ask for a written receipt from the charitable organization, including the name and location of the charity, the donation date, and a description of property that you donated.
- **Property valued greater than \$250:** Similar to above, if you donate property valued greater than \$250, you must obtain a written receipt from the charitable organization, including the name and location of charity, the donation date, the amount of cash or value of services rendered, and a description of property.
- **Property valued greater than \$500:** For this category, written acknowledgment on how the property was acquired (purchase, gift, or inheritance), the date the itemized deduction property was acquired, and its *cost basis* are required documentation (cost basis refers to the original cost of property, adjusted for factors such as depreciation).
- **Motor vehicle, boat, or airplane valued greater than \$500:** Here, written acknowledgment from the charity containing specific information is required, such as a VIN (vehicle identification number) or similar number. There also needs to be an acknowledgement by the charitable organization that the vehicle was sold at arm's length between unrelated parties.

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In addition, the documentation should include the contribution date, and the lesser of the fair market value of vehicle or the gross proceeds upon sale by charity, with the following exceptions:

If the claimed value of the motor vehicle, boat, or airplane is in excess of \$5,000, the donor's charitable deduction can't be determined until the charity sells the item and reports the gross proceeds from the charity's sale (unless the charity makes "significant intervening use" of the vehicle before the sale; materially improves the vehicle before the sale; sells the vehicle for significantly less than its fair market value; or gives the vehicle away to a needy individual in direct furtherance of its charitable purpose).

Given the complexities associated with this kind of donation, we recommend [consulting with us](#) or another CPA prior to making your donation.

- **Property valued greater than \$5,000:** A qualified appraisal no more than 60 days before the property's contribution, the cost basis of the property, the acquisition date, and recipient information are all required.
- **Contributed property of publicly traded stock or securities:** If you donate publicly traded stock or *securities* (tradable financial assets), you are required to receive documentation that clearly states the recipient's name, address, the date acquired and the cost basis of the securities if held for more than 12 months prior to the donation. And in case you're wondering, qualified appraisals are *not* required when securities market quotes are readily available.

Click [here](#) for our downloadable table of [Acceptable Charitable Contributions and How to Substantiate the Deduction](#), including the names of the forms you use for reporting different types of charitable contributions and the sections of the Internal Revenue Code that apply to each type of deduction.

Important: Understanding the Deduction Limits

The IRS has specific rules and limitations regarding the amount you can deduct for charitable contributions. Generally, you've been allowed to deduct up to 60 percent of your adjusted gross income (AGI) for cash donations. However, thanks to a temporary suspension of limits on charitable contributions, qualified contributions are not subject to this limitation.

If you're an individual tax filer, for now you may deduct qualified contributions of up to 100 percent of your adjusted gross income. And for now, a corporation may deduct qualified contributions of up to 25 percent of its taxable income. Contributions that exceed that amount can carry over to the next tax year. To qualify, the contribution must be a cash contribution made to a qualifying organization.

Itemize Your Deductions

To claim deductions for your charitable contributions, you must itemize your deductions on your tax return. This means you'll need to forgo the standard deduction and instead list your eligible deductions, including those related to charitable donations.

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Pro Tip: Make sure that the total of your itemized deductions exceeds the standard deduction for your filing status; otherwise, itemizing will not reduce your tax obligation and may even cost you more in taxes.

Document Non-Cash Donations

As you read above, donating cash is not the only way to contribute to charitable organizations. You can also donate non-cash items, such as clothing, household goods, or appreciated assets like stocks or real estate. When donating non-cash items, you'll need to assess their fair market value and keep detailed records of the items donated, their condition, and their estimated cash value.

Document Volunteer Expenses

If you volunteer for a charitable organization and incur out-of-pocket expenses directly related to your volunteer work, you may be able to deduct these expenses. Examples of deductible expenses may include travel, parking, and supplies necessary for your volunteer activities. Keep records of these expenses and be prepared to provide evidence if audited by the IRS.

Donating to charities is a powerful and meaningful way to make a positive impact on the world, and when you donate, you're probably not thinking about how much you're going to save in taxes. However, the more you save, the more you'll have to donate. Keep impeccable records and claim all the deductions you're entitled to. Chances are good that you'll make much better decisions about how your money is spent than the government will.

If you're still uncertain about how to document your charitable giving, or how to claim your deductions on your personal or corporate tax returns, we can help. [Contact us](#) to schedule an appointment.

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Keep in touch.

W. Bernardo Drive, Suite.
San Diego, CA
Phone: (858) | Fax: (858)
Website: www.SteesWalker.com
Blog: blog.SteesWalker.com

Laura A. Stees, CPA
Partner & Business Strategist
Laura@steeswalker.com
Marni L. Walker, CPA
Partner
Marni@steeswalker.com