

Tax Benefits of Giving

Information Provided by [Charity Navigator](#)

The following is a brief summary of certain federal income tax laws for informational purposes only. We urge you to consult your tax advisor for the federal, state, and local tax consequences of a charitable contribution.

Benefits to You of Giving to Charity

While we believe that your primary motivation to donate to charity should be altruism, we also think you should know that great tax benefits exist for those who give. Here are some of the benefits you should know about.

☺ A gift to a qualified charitable organization may entitle you to a charitable contribution deduction against your income tax if you itemize deductions.

If the gifts are deductible, the actual cost of the donation is reduced by your tax savings. For example, if you are in the 33% tax bracket, the actual cost of a \$100 donation is only \$67 (\$100 less the \$33 tax savings). As your income tax bracket increases, the real cost of your charitable gift decreases, making contributions more attractive for those in higher brackets. The actual cost to a person in the lowest bracket, 15%, for a \$100 contribution is \$85. For a person in the highest bracket, 35%, the actual cost is only \$65. Not only can the wealthy afford to give more, but they receive a larger reward for giving.

☺ A contribution to a qualified charity is deductible in the year in which it is paid.

Putting the check in the mail to the charity constitutes payment. A contribution made on a credit card is deductible in the year it is charged to your credit card, even if payment to the credit card company is made in a later year.

☺ Most, but not all, charitable organizations qualify for a charitable contribution deduction.

You can deduct contributions only if they are made to or for the use of a qualified recipient. No charitable contribution deduction is allowed for gifts to certain other kinds of organizations, even if those organizations are exempt from income tax. Contributions to foreign governments, foreign charities, and certain private foundations similarly are not deductible. Below, you can view a list of organizations for which your donations can be deducted. All organizations rated by Charity Navigator qualify for charitable status, and you can deduct your donations, subject to certain limitations.

An organization could lose its charity status if it devotes a substantial part of its activities to formulating propaganda or otherwise trying to influence legislation. However, an organization, other than a church, may qualify as a charity and still perform some of these activities by keeping its political expenditures to an "insubstantial" part of its activities. Furthermore, donations to needy individuals are not deductible.

Ⓢ There are limits to how much you can deduct, but they're very high.

For most people, the limits on charitable contributions don't apply. Only if you contribute more than 20% of your adjusted gross income to charity is it necessary to be concerned about donation limits. If the contribution is made to a public charity, the deduction is limited to 50% of your contribution base. For example, if you have an adjusted gross income of \$100,000, your deduction limit for that year is \$50,000.

The rules on 20% limits and 30% limits are way too complicated to delve into in this space. If you are giving to organizations other than those mentioned above, first consult with your tax adviser to determine whether these other ceilings will apply. If you give an amount in excess of the applicable limitation to charity in one year, the excess is carried over for the next five years.

Ⓢ Rules exist for non-cash donations.

If you contribute property owned for more than one year, the value of the deduction is normally equal to the property's fair market value. You have an advantage when you contribute appreciated property because you get a deduction for the full fair market value of the property. You are not taxed on any of the appreciation, so, in effect, you receive a deduction for an amount that you never reported as income.

You should clearly contribute, rather than throw out, old clothes, furniture and equipment that you no longer use. However, bear in mind the condition of your donated goods. The IRS only permits deductions for donations of clothing and household items that are in "good condition or better."

If you bring \$1,000 in clothes or furniture to a thrift store, make sure that you get a receipt. Never throw such contributions into a bin where no receipt is available. If you are in the 25% bracket, that receipt may be worth \$250 in tax savings to you. And remember that the IRS requires a qualified appraisal to be submitted with your tax return if you donate any single clothing or household item worth more than \$500.

Ⓢ Remember to document.

No deduction is allowed for a separate contribution of \$250 or more unless you have a written confirmation from the charity. A canceled check alone is not enough. If the contribution is to a religious organization solely for an intangible religious benefit (annual dues, for example) written proof is still required. All other contributions of cash require the charity to estimate the fair market value of any goods or services given to you in exchange for your contribution.

Starting in 2007, the IRS requires written documentation to substantiate deductions for all monetary donations - including cash. In case of an audit, you must have a canceled check, credit card statement or a written acknowledgement from the charity (showing the charity's name, the date of the donation and the amount given). You will no longer be able to deduct those few dollars you dropped in a charity's collection bucket without a receipt from the charity to back up your claim.

Remember, it's always better to give than receive. The glory of charitable donations is that you give and receive at the same time.

Organizations to Which You Can Give and Deduct Your Donation

Your contribution to every organization that Charity Navigator evaluates is tax deductible. If an organization is not evaluated by Charity Navigator, and you still want to support them, you are generally allowed a 50 percent ceiling on your adjusted gross income for contributions if they are any of the following organizations:

- Churches and other religious organizations;
- Tax exempt educational organizations;
- Tax exempt hospitals and certain medical research organizations;
- A government unit, such as a state or a political subdivision of a state;
- Publicly supported organizations such as a community chest;
- Certain private foundations that distribute all contributions they receive to public charities within two-and-a-half months after the end of the foundation's fiscal year;
- A private operating foundation which pools all of its donations in a common fund;
- Certain membership organizations that rely on the general public for more than a third of their contributions.