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Money Matters | Year-end charitable giving? Tread carefully

By SANDI WEAVER

Many of us contribute to our favorite charities this time of year. As a CPA, I always encourage that to be documented so you can take the deduction on your tax return. Don't drop a \$20 in the red bucket; write a check; ask for a receipt! Let Uncle Sam help you help others.

In recent years, the IRS has raised the hurdles in our efforts to assist others, so tread carefully or you may lose that tax deduction over seemingly Scrooge-like nitpicking. Here's the letter of the law.

First, are you donating cash less than \$250? Take a copy of that check or credit card statement. Or, print off an image of the cancelled check or online credit card statement. The charity should give you a receipt. If not, you'll need to request it. Most churches automatically send you an accounting for your donations. On that receipt or statement, you need to see your name, the amount, and the date of donation. You can still drop that \$20 bill in the bucket, but you'll need to ask for a receipt.

Are you donating cash more than \$250? The same rules as above apply, but in addition, that receipt or statement must state whether the organization provided any goods or services to you in return for your contribution. If so, that receipt must provide a description and good faith estimate of the value of those. It's permissible for a religious organization to say the only benefit you received was an intangible religious benefit, if that's the case.

Don't learn this the hard way. David and Veronda Durden just lost a Tax Court case this year, on these points, for a \$25,000 charitable contribution.

That receipt or statement from your charity must be given to you by the time you file your tax return with that deduction.

It must include the statements regarding any goods or services provided.

Don't rely on your charity to be on top of all these rules. Review your receipt!

Did you fill out a pledge card at work to contribute \$25 from each paycheck to a national charity, such as United Way? Save your W-2 or year-end paystub along with that pledge card which shows the organization's name. If you gave over \$250 from a single paycheck, perhaps at bonus time, you'll need to obtain a receipt stating name, amount, date, plus the statements about getting any goods or services.

A smart way to help your favorite charity, and yourself, is to donate a security with a big capital gain. Do you have an investment which has appreciated significantly? Or did you inherit shares of AT&T stock from Aunt Maude ages ago, but have no idea of your cost basis? Both are ideal for giving to charity. Why? You get a tax deduction for the market value of the investment, what it's worth today. If you first sold the security and donated cash, you'd owe taxes on the capital gain.

'Tis the season for giving. But give smart.

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