

Charitable Contributions

Drive Away with a Tax Break

Instead of going through the hassle of selling your car, you can donate it and guarantee a cash advantage -- a tax deduction. When you donate a car, the deduction amount is equal to the fair market value of the car, even if you paid more for it. The IRS defines fair market value as the price at which the car would change hands between a willing buyer and seller if neither were forced to buy or sell. To ensure that the IRS doesn't question your deduction, you can clip a page of classified ads showing the prices of similar vehicles or include a photo illustrating the car's condition. For deductions of \$500 or more, attach Form 8283, Noncash Charitable Contributions, to your tax return. The form allows you to describe the condition of the car and how you determined the value. For deductions of more than \$5,000, you must attach a copy of an appraisal, made by a qualified professional, to your tax return. In addition, you must fill out the appraisal portion of Form 8283 and attach it to the return.

The only donations for which you may claim a tax deduction are those made to non-profit agencies with tax-exempt status. To take a charitable deduction, you must file form 1040 and itemize deductions on Schedule A. Enter your non-cash contributions on line 16.

Be aware that the IRS is on the lookout for auto donation abuses. Any sign of excessive valuation of your car could bring a possible audit. If you take a deduction for more than the value of the car you donated, you could be hit with a penalty of up to 40 percent of the unpaid tax.

Paying Others' Taxes: Commendable but Not Deductible

If you are a generous sort and decide to pay other people's taxes, you gain no tax benefit. (If you are not legally liable, then you cannot deduct them.) Likewise, the person you paid them for cannot deduct them because she didn't pay them.

Save Those Receipts - the IRS Might Want Them

Did you know you can deduct charitable contributions on your tax return? If you have donated more than \$500 in property, you must provide documentation such as what you gave, who you gave it to, and its value when you received it and donated it with your tax return. However, you don't need documentation on the return for cash gifts for the tax return. You do, however, have to produce documentation should the IRS question your deduction.

Excess Charity Can Follow You into Next Year

The maximum deductible contribution allowed is 50 percent of your adjusted gross income (AGI). If you gave more than 50 percent, the excess may be carried forward to next year and treated as a charitable contribution made in 2002. The 50-percent rule applies to most contributions, but it may be lower for contributions to certain organizations or for certain kinds of contributions.

Charitable Giving Helps for Non-Homeowners

Think you need to own a home to itemize and take advantage of your charitable contributions? Many people who contribute regularly to charity such as church may be able to itemize any way. When charitable contributions are combined with things such as state and local income taxes and personal property taxes those amounts may exceed the standard deduction. Contact a tax advisor for complete information on what is deductible and how much you need to itemize.

Document Your Contributions

Many charitable organizations make extra efforts to collect money and goods during the last quarter of the year. Be sure to keep records of the money you contribute to UNICEF or other similar charities at Halloween and the canned goods and other non-perishables you put in collection bins for organizations that help the needy. Your last-minute contributions can add up to a nice deduction if you itemize. Remember, if you contribute \$250 cash or more at one time to a charity, the organization receiving the donation must provide you with written documentation of the donation. A cancelled check is not sufficient proof.

Spend Wisely to Itemize

If you don't have enough deductions to itemize, consider bunching -- by delaying or accelerating -- your eligible expenses so that you can itemize every other year. Some expenses for which you may be able to control the payment time include medical-related costs, real estate and personal property taxes, charitable contributions, and work-related expenses.

Charitable Deductions Begin at Home

Make sure your generosity during the coming year pays off as much as possible by rounding up all of your write-offs. The big contributions which translate to the big deductions are hard to overlook - what you give your church or synagogue or alma mater. But little expenses from your good-deed-doing can also mount up. Whether it's out-of-pocket contributions to a bell-ringer or what you pay for supplies while you're doing charitable work, if the money is going to help a qualified charitable organization, you get a deduction. If you drive your own car while doing volunteer work, you can deduct 14 cents a mile. If your charitable work takes you out of town overnight as the official delegate to a church meeting, for example, you can deduct the cost of transportation and the cost of your meals and lodging.

You can maximize those charitable deductions and save hundreds of additional tax dollars through the use of ItsDeductible™ software. The program utilizes a proprietary database of actual fair market values for thousands of commonly donated items, which is in accordance with IRS guidelines. Check on this website to learn more.

Smart Gifts Make Great Write-Offs

There's a special break if you donate property such as stock or mutual fund shares to charity. If you owned the asset for more than a year, you get to write off its value on the day that you made the gift, not what you originally paid for it. You don't have to pay tax

on the appreciation while you owned the stock, either. Take advantage of this break now if you donated appreciated property last year and keep it in mind in the future. Whenever you make substantial contributions, consider using appreciated property instead of cash. What if you really want to keep the stock in your portfolio? Donate the shares you own and use the cash you would have given to buy shares on the open market. The advantage is that you'll owe tax only on profit that accrues after you repurchase the shares. If the stock or mutual fund shares you plan to donate have decreased in value, sell the shares and donate the cash. That way, you can deduct your loss and claim a charitable deduction as well.

Secret Deduction in Volunteer Work

Summertime is often a time for increased volunteer activities. Do you drive for Meals on Wheels? Take church youth on field trips? Drive to the location of a Habitat for Humanity house you're helping to construct? Keep track of all your volunteer mileage - 14 cents for every mile is deductible as a charitable contribution. To make your record keeping easier, stop by participating H&R Block offices for a free mileage record book.

Count Before You Cast

'Tis the season of giving. But it's still okay to count before you contribute. So, before you cast coins into a kettle, jot a note with the date and amount given. You may deduct that amount as a contribution if you itemize deductions on your tax return. Keep track of other charitable giving, too. If you purchase and donate food items or new gifts such as clothing or toys, you may deduct the expense. If you donate used items, those contributions are tax deductible, too, based on the donated items' resale value. (That's the amount you could get for that blanket or coat if you were to have a garage sale, or what you'd spend on it at a thrift store.)

The Difference is Deductible

Suppose you buy a Christmas tree from a non-profit organization such as a church. If you pay \$80 for a 5-foot pine, and 5-foot pines are going for \$50 all over town, the \$30 difference is deductible. It's considered your donation to the church. The same goes for a Hanukkah menorah or Kwanzaa candles. Anytime your purchase from a not-for-profit organization includes a donation, ask the selling organization for a statement that says how much of your purchase price is a charitable contribution. If you are using the breast cancer awareness postage stamp to mail your holiday greetings then you know the stamps cost 40 cents instead of the usual 34 cents. The Postal Service is directing proceeds from the sale of the stamp to medical health and research organizations. So for every card you send, that's a 6-cent donation to charity. Keep track of your total charitable donation and you may deduct it.

Charitable Driving and Renting

Perhaps the holidays find you volunteering at a hospital or homeless shelter. Those miles you drive to get there and back are deductible, at 14 cents per mile. Likewise, if you drive to donate a gift or food to charity, your mileage is deductible in addition to the gift you gave. If your role at the volunteer site means you rent a costume to dress as Santa Claus, the price you pay for the red suit is - you guessed it - deductible.