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## DEDUCTING NON-CASH CONTRIBUTIONS ON YOUR TAX RETURN BY LAUREE MURPHY

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***“The IRS believes that some taxpayers abuse the rules for deducting non-cash charitable contributions. Knowing and following the rules discussed here will help protect the IRS from disallowing your deductions.”***

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



The IRS has become more particular with various noncash contributions, such as automobiles, clothes, furniture and household goods, to organizations like Goodwill and The Salvation Army. The IRS realizes that some taxpayers claim more than these items are worth. Used clothing and other personal items are usually worth far less than their original cost. The organization accepting your donation won't supply the value. You must come up with it yourself. To help you determine the value of your donated items, Goodwill and The Salvation Army have guides on their websites. Please see the links at the end of this article to view these guides.



**Donations Under \$250:** You must obtain a separate receipt from the charity for each donation up to \$249. The receipt must be dated and you must include a description and the estimated value of the donated goods. In other words, one of those yellow Goodwill receipts will get you a maximum deduction of \$249. **If what you have is worth more than \$249, make additional trips to the charity so that no individual receipt has a value greater than \$249.**

**Donations of \$250 or More:** Here is what the IRS instructs: “If taxpayers donated cash or goods of \$250 or more, they must have a written statement from the charity. It must show the amount of the donation and a description of any property given. It must also say whether they received any goods or services in exchange for the gift.”

*Although the charity does not have to state the value of the property received, they are supposed to list the items donated. The problem is most charities will simply provide blank receipts and leave it to the taxpayer to fill in the details. It is possible the IRS will disallow these deductions because the charity didn't state what was received. For this reason, we recommend taxpayers limit each individual receipt to less than \$250.*

## Our Services

### Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

### Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services: Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services: MAM has retained several outside experts, whose services are available at no cost to our clients:

- Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

**Noncash Donations exceeding \$500 in Total:** For these, more substantiation is needed. The IRS requires you provide the date you acquired the property, the manner you acquired the property (for example: purchase, gift, inheritance), the original cost, the current value of the property and how that cost was determined. This information is listed on Form 8283 "Noncash Charitable Contributions" and filed with your tax return.

**Automobile Donations:** In order to deduct an auto worth more than \$500, you need to have a signed IRS Form 1098-C from the charitable organization, which includes what the charity sold the vehicle for. This form must be attached to your tax return when filed.

**Donations for Goods Over \$5,000:** A signed written appraisal by a qualified appraiser is required.

**If you have significant donations because of a move or someone has passed away,** keep a good record of everything you donate and its value using one of the guides. Attach an itemized list and valuation to the receipts you receive and save it in your tax records.

**IRS Audits:** Budget cuts at the IRS mean it needs to utilize its staff more efficiently. Instead of full audits, the IRS is sending letters requesting more information for certain types of deductions. Charitable contributions are one of the deductions they are targeting. The best way to prepare yourself in case you receive such a request is to keep good records including receipts. These tax records should be kept for 7 years.

### **Links to the Goodwill and The Salvation Army valuation guides:**

<https://satruck.org/Home/DonationValueGuide>

<https://goodwillnne.org/donate/donation-value-guide/>