Give And Grow Rich With Charitable Deductions

by Jeff Schnepper

(NAPSA)—Charitable contributions offer proof that the Golden Rule is a credo to live by. It not only allows you to feel good about giving, but lets you receive a tax deduction.

A charitable contribution is a gift to a qualified organization. The tax law allows charitable contributions as itemized deductions. Because these gifts are deductible, the actual cost of the donation is reduced by your savings. For example, if you are in the 27.5 percent tax bracket in 2001 (the old 28 percent bracket), the actual cost of a $100 donation is only $72.50 ($100 less the $27.50 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 percent, for a $100 contribution is $85. For a person in the highest bracket, 39.1 percent, the actual cost is only $60.90.

In 2002, be ready: the after-tax cost of a contribution will rise as lower tax rates kick in and reduce the value of the deduction.

Making giving a no-fuss proposition

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

Where your gifts can go

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 other kinds of organizations, even if those organizations are exempt from U.S. income tax. Contributions to foreign governments, charities, and private foundations similarly are not allowed. Furthermore, donations to needy individuals are not deductible.

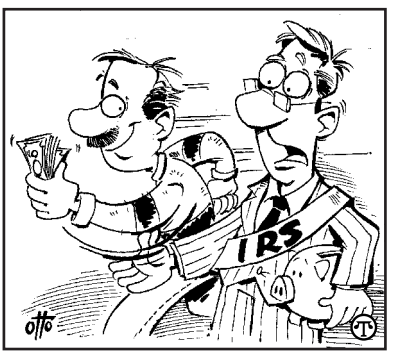
Limits on donations

For most people, the limits on charitable contributions don't apply. Only if you contribute more than 20 percent of your adjusted gross income to charity is it necessary to be concerned about donation limits. If the contribution is made to a fully accredited charity, the deduction is limited to 50 percent of your adjusted gross income.

The rules on 20 and 30 percent limits are complicated and convoluted. 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.

Other kinds of 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. If the property has appreciated in value, you are not taxed on any of the appreciation. In effect, you receive a deduction for an amount that you never reported as income.



Saving money on taxes means the funds are available for such expenses as college tuition.

Contributing more than money

You should clearly contribute, rather than trash, old clothes, furniture and equipment that you no longer use. If you bring $1,000 in old clothes or furniture to Goodwill or the Salvation Army, make sure that you get a receipt. Never throw such contributions into a bin where no receipt is available. A receipt represents real money in your pocket. If you're in the 27.5 percent bracket, that receipt is worth $275 in tax savings. You would never leave a store without your change; never leave a contribution without a receipt.

Don't forget the mileage deduction for bringing the old clothes to the charity either. You are entitled to 14 cents a mile for each charitable mile you use your car. And if you're transporting a carload of cub scouts or using your car for any other charitable purpose, the mileage deduction is available.

Keep records of your donations

The Omnibus Budget Reconciliation Act of 1993 changed the rules for charitable contributions. Now, 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. Even if the contribution is to a religious organization solely for an intangible religious benefit (annual dues, for example), written proof is still required.

Moreover, any solicited quid pro quo contributions of more than $75 require the charity to tell you in writing how much is deductible. Eighty percent of the cost that many colleges now charge fans to simply have the right to purchase season tickets to their basketball or football games is deductible. That is because the government considers it a charitable donation to the financial institution.

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

To learn more about the services available to help review, understand and improve finances, visit *http://money.msn.com* and *http://microsoft.com/money*.