

Tax Facts

Tips On The Benefits Of Being Charitable

(NAPSA)—Paying it forward can pay off on your next tax return, if you keep track of your donations.

“Giving to charity, even if you’re simply donating clothes and furniture to a thrift store, can reduce your taxable income,” explained Jessi Dolmage, of the popular digital tax preparation brand TaxACT. “To maximize your deduction, just follow a few simple tips.”

- First, be sure you’re giving to an eligible organization recognized by the IRS. Search for the group using the IRS’ Exempt Organization Select Check at www.irs.gov. Even if it’s not listed in the database, most religious organizations and government agencies are eligible.

- Second, keep detailed records for accurate valuation (and, in turn, your tax deduction) and in the unlikely event of an audit. These should include organization name, donation date and amount.

- For noncash donations, document the charity name, date and location of the donation and a reasonably detailed description of the items. If you receive a receipt from the charity, keep it with your records. The IRS requires additional documentation for vehicle donations. You must receive a written acknowledgment or a Form 1098-C from the charity for the vehicle.

- For monetary gifts, keep the written acknowledgment from the organization with the donation date and amount. A canceled check or card statement with the transaction date will do for gifts under \$250.

- If you get merchandise, benefits or privileges in exchange for the gift, you must subtract the value of those from the original gift amount. If your payment is more than \$75, the organization must give you a written statement with a description and estimated value of the merchandise, goods or services.

- Noncash donations, such as clothing, kitchen gadgets and furniture, must be in good condition or



To be tax deductible, non-cash donations—clothing, kitchen gadgets and furniture—must be in good condition or better.

better. The tax-deductible amount of those items is the fair market value (FMV), the price if they were exchanged between willing buyers and sellers. Special rules apply to cars, boats, airplanes, property subject to debt, investments that have appreciated in value, and inventory from your business.

- Mobile apps can make donation tracking easier. For example, TaxACT’s free Donation Assistant app tracks cash, noncash and recurring gifts, with FMVs for more than 1,300 commonly donated items. The app can save photos of donations and receipts. Come tax time, the information can be imported into the TaxACT Deluxe program, which calculates the maximum deduction and completes related tax forms.

Charitable gifts made between Jan.1 and Dec. 31 can be deducted if you itemize deductions on Form 1040 Schedule A. To do so, all itemized deductions must exceed the standard deduction amount based on your adjusted gross income and filing status.

Additionally, you must file Form 8283 with your tax return if your cash and noncash contributions total more than \$500. You will also need to file a qualified appraisal of donated property worth more than \$5,000.

You can download the free app at www.taxact.com/apps and learn more about the tax rules of charitable giving at www.irs.gov and www.taxact.com/taxinfo.