

Reduce Your Income Tax with Charitable Deductions

Giving to charities is a great way to help others and reduce your income tax bill. Although the rules for giving to charities can get complicated for large donations, in many cases it is as simple as keeping a receipt. The rules for charitable contributions can be found in [IRS pub 526](#), but I'll just go through some general guidelines. Here is a short list of qualified and unqualified organizations. Gifts to qualified organizations are deductible, while gifts to non-qualified organizations are not.

Deductible	Not Deductible
Religious Organizations (church, temples, etc.)	Political groups or candidates for public office
Federal, state & local gov't (if solely for public purpose)	Dues, fees or bills paid to country clubs, lodges, fraternal order or similar groups.
Nonprofit schools and hospitals	Groups run for personal profit
Public Parks & recreation facilities	Cost of raffle, bingo, or lottery tickets
Salvation Army, Goodwill, Red Cross, Boy & Girl Scouts, United Way, CARE	Foreign organizations, except certain Mexican, Canadian and Israeli charities
War Veterans' Groups	Lobby groups
Expenses paid for a student living with you, sponsored by a qualified organization	Chambers of commerce, civic leagues, labor unions, social and sports clubs
Out-of-pocket expenses when you serve as qualified organization as a volunteer	Value of your time or services Value of blood given to a blood bank
Charitable organizations listed in Pub 78	Homeowners associations and individuals

Charitable gifts are deducted on IRS schedule A, itemized deductions. In order for your charitable contributions to reduce your taxable income, your itemized deductions will have to exceed your standard deduction. In 2011, the standard deductions are \$11,400 (MFJ), \$8,400 (HoH), and \$5,700 (S).

Tips:

- 1) Keep your receipts. For cash contributions, if you lost the receipt the organization gave you, you can use a cancelled check, bank or credit card statement as a receipt.
- 2) However, if it is impractical to get a receipt for non-cash donations, you do not need one. A drop off box is a good example. But, keep a record of time, place and what items you donated.
- 3) Non-cash contributions are valued at fair market value (FMV), not what you paid for them. If you want an idea of what the FMV is, ask the organization receiving the donations. If it's a place like Goodwill, go inside the store and look to see what similar items are selling for.
- 4) If you made a non-cash donation of \$250 to \$500, you must have an acknowledgement from the organization. There are more requirements for donations over \$500, so you might want to review Pub 526 before you make the donation so you'll know what you need in order to claim it on your income tax.
- 5) Generally, you must reduce your donation by the value of the benefit you receive. For example, you pay \$40 for a special showing of a movie. Printed on the ticket is "Contribution-\$40". If the regular movie price is \$10, then your contribution is \$30 (\$40-\$10).
- 6) You may not have to reduce your membership donation by any benefit you receive if your donation is \$75 or less. See Pub 526 for more details.

I don't list all of the rules and regulations for charitable contributions; consult a tax pro or read [526](#).

Disclaimer: The information provided in this article is only for educational purposes. It may not reflect all rules, regulations, or laws for the tax year discussed and it may not pertain to your situation.

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