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## Property Contributions

As mentioned in our October 2023 tax alert dealing with year-end planning, contributions to charity are a great way to save on taxes. You may be wondering about what is involved in getting a deduction for a donation to a charity of a car, furniture, other tangible property or even appreciated stocks.

First, with **any contribution of tangible property** to a charity, there are one or more substantiation requirements that come into play depending on the amount of the deduction claimed.

- If you claim a deduction of **less than \$250**, you must get and keep a receipt from the donee organization and you must also keep reliable written records for each item of property you contributed.
- If you claim a deduction of **at least \$250, but not more than \$500**, then you must get and keep an acknowledgment of your contribution from the donee organization. The acknowledgment must state whether the organization gave you any goods or services in return for your contribution and include a description and good faith estimate of the value of any goods or services given.
- If you claim a deduction of **in excess of \$500, but not over \$5,000**, then in addition to getting an acknowledgment, you must maintain written records that include information about how and when you obtained the property and its cost basis. You must also complete Section A of IRS Form 8283 and attach it to your tax return.
- Where the claimed value of the property **exceeds \$5,000**, then, in addition to an acknowledgment, you must also have a **qualified appraisal** of the property. This is an appraisal that was done by a qualified appraiser no more than 60 days before the contribution date and that meets numerous other requirements. You include information about these donations on Section B of IRS Form 8283, which you file with your tax return.
- If planning to donate a **used car**, the IRS has special rules related to the amount you can deduct and substantiating your deduction. Please contact us if you need assistance with a used car donation.

When planning to contribute to charity, you should consider donating **appreciated stock** from your investment portfolio instead of cash. The tax benefits from the donation can be increased and the organization will be just as happy to receive the stock.

- The general rule is that the deduction for a donation of property to charity is equal to the fair market value of the donated property.

- Where the donated property is "gain" property, the donor does not have to recognize the gain on the donated property.
- These rules allow for the "doubling up," of tax benefits: a charitable deduction, plus avoiding tax on the appreciation in value of the donated property.

For example, Joe and Moe are twins, each of whom attended State University. Each plans to donate \$10,000 to the school. Each also owns \$10,000 worth of stock in XYZ, Inc., which each bought for just \$2,000 several years ago.

Joe sells his stock and donates the \$10,000 cash. He gets a \$10,000 charitable deduction, but must report his \$8,000 capital gain on the stock.

Moe donates the stock directly to the school. He gets the same \$10,000 charitable deduction and avoids any tax on the capital gain. The school is just as happy to receive the stock, which it can immediately sell for its \$10,000 value in any case.

- As a cautionary note, this tax planning tool will **not** work if the stock has **not** been held for more than a year. In that case, the stock would be treated as "ordinary income property" and the charitable deduction would be limited to the cost you paid for the stock.



**This alert covers only some of the tax rules related to charitable contributions of property that could potentially benefit you, your family or your business. The tax rules in this area are complex and there are many issues to consider in deciding whether to contribute property to a charity. Please contact us if you have questions, want more information, or would like us to help you with a specific charitable contribution of property, so that by working together we can deliver the best tax results for you.**



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