



## How to Deduct Charitable Donations on Your Taxes

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Donating to a reputable charity is a great way to help organizations that provide assistance to the less fortunate. As a bonus, these charitable contributions can also leave you with a smaller bill come income-tax time, since the IRS allows you to deduct a portion of your yearly charitable contributions on your federal income taxes.

As with most matters involving the IRS, there are rules you need to follow when claiming charitable contributions. If your charitable deductions seem overly high for your income, that could trigger an audit.

#### **A common mistake**

Charitable contributions are often a red flag when it comes audits. This is especially true for those contributions that are non-cash, such as when filers donate old clothing to Goodwill and claim the donations are worth \$4,000. Be honest (and realistic) about how much your donations are actually worth.

#### **Cash donations are easier to deduct**

If you write a check to a charity or make a donation with your credit card of less than \$250, you'll need a receipt showing the date and amount of your contribution. If you don't have that, you can also rely on a cancelled check, credit card statement, or other bank record showing that you made the donation. You won't have to attach this receipt or other documents to your income tax return, but you will need these documents if the IRS later asks you to verify your contribution.

For a cash contribution of \$250 or more, you don't have this leeway. You must get a written receipt from the charity describing your donation. Canceled checks or credit card statements aren't enough.

#### **Non-cash contributions are tricky**

For non-cash donations of up to \$250, you'll need a

receipt from the charity showing that you actually made the donation. The receipt must state the date and location of your donation, the name of the organization, and a description of what you donated. As a reminder, you won't have to attach this receipt to your income-tax returns, but you will need it if the IRS contacts you later asking for proof of your charitable donations.

If your non-cash donation is more than \$250, you'll again need a receipt from the charity that describes what you are donating. But this receipt should also list whether you received any goods or services from the charity in exchange for your donation. The receipt must list the goods or services that you received and provide an estimated value for them.

If you donate more than \$500 of non-cash contributions in a calendar year, you must also file IRS Form 8283 Noncash Charitable Contributions with your income taxes. If the total value of your gifts is less than \$5,000, you only have to fill out Section A of this form.

#### **Large contributions require more paperwork**

Taxpayers donating an item or group of similar items valued at more than \$5,000 must also fill out section B of Form 8283, which generally requires an appraisal by a qualified appraiser. This holds true whether you are giving away a single item worth more than \$5,000 - such as a valuable painting - or several items that totaled together equal more than \$5,000, such as boxes of antique plates from your attic.

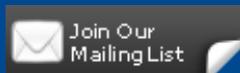
The person writing your appraisal letter must be a professional that the IRS lists as a "qualified appraiser." This professional must sign the Form 8382 that you attach to your income taxes.

Source: [www.wisebread.com](http://www.wisebread.com)

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