Cash, Check, or Other Monetary Gifts

You must maintain a bank record, or a written communication from the qualified organization, and the amount and date of the contribution.

Cash or property donations worth more than $250 requires a written letter of acknowledgment from the charity.

Appraisals Required

A donor who claims a charitable deduction of $5,000, or more, for a single item or for multiple items of personal or real property, must obtain a qualified appraisal of the items or group of items combined value. This can discourage large property donations because appraisals can be expensive. The appraisal must be completed no earlier than 60 days before the donation. The appraiser must provide their qualifications, the date they valued the property, the fair market value on the date of valuation, method used, and include comparables. The appraisal must be attached to your return with Form 8283.

Contributions from Which You Benefit

If you receive a benefit as a result of making a contribution to a qualified organization, you can deduct only the amount of your contribution that is more than the value of the benefit you receive.

If you pay more than FMV to a qualified organization for goods or services, the excess may be a charitable contribution. For the excess amount to qualify, you must pay it with the intent to make a charitable contribution.

Example 1. You pay $65 for a ticket to a dinner dance at a church. Your entire $65 payment goes to the church. The ticket to the dinner dance has a FMV of $25. When you buy your ticket, you know its value is less than your payment. To figure the amount of your charitable contribution, subtract the value of the benefit you receive ($25) from your total payment ($65). You can deduct $40 as a charitable contribution to the church.

Example 2. At a fundraising auction conducted by a charity, you pay $600 for a week's stay at a beach house. The amount you pay is no more than the fair rental value. You haven't made a deductible charitable contribution.

Charity benefit events. If you pay a qualified organization more than FMV for the right to attend a charity ball, banquet, show, sporting event, or other benefit event, you can deduct only the amount that is more than the value of the privileges or other benefits you receive. If there is an established charge for the event, that charge is the value of your benefit. If there is no established charge, the reasonable value of the right to attend the event is the value of your benefit. Whether you use the tickets or other privileges has no effect on the amount you can deduct. However, if you return the ticket to the qualified organization for resale, you can deduct the entire amount you paid for the ticket.

Even if the ticket or other evidence of payment indicates that the payment is a "contribution", this doesn't mean you can deduct the entire amount. If the ticket shows the price of admission and the amount of the contribution, you can deduct the contribution amount.

Example. You pay $40 to see a special showing of a movie for the benefit of a qualified organization. Printed on the ticket is "Contribution--$40." If the regular price for the movie is $8, your contribution is $32 ($40 payment - $8 regular price).

Court Denies Clothing Donations to Goodwill and the Salvation Army

Duncan Bass worked hard.

■ He worked one full-time W-2 job for about 53 hours a week and a second, concurrent W-2 job for about 15 hours a week.

■ In addition to his W-2 jobs, Mr. Bass operated a landscaping business, a janitorial business, and a used clothing store business.

His landscaping and janitorial clients gave Mr. Bass men's, women's, and children's clothing. He donated the better clothing to Goodwill and the Salvation Army, claiming clothing tax deductions of $13,852 and $11,594 for the two years before the court.

Mr. Bass did not donate the lesser-quality clothing items he received from his clients. Instead, he sold them through his used clothing store.

What Mr. Bass Thought

Mr. Bass testified before the court that he visited Goodwill and the Salvation Army 173 times. He did this to ensure that every donation receipt he completed showed a market value below $250, so he wouldn't need appraisals.

That Was Wrong

IRS Form 8283 and its instructions, along with tax code Section 170(f)(11)(F) and IRS Regulation Section 1. 170A-13(c), mandate grouping similar items of property (such as clothing) for purposes of the $5,000 rule that requires appraisals.[1]

How the Court Ruled

The court ruled that since no appraisals were attached to his tax return, Mr. Bass could not deduct any of his clothing donations to Goodwill and the Salvation Army. [2]

Takeaways

The tax code has many rules that apply to charitable giving. Make sure you know those rules before giving.

In Mr. Bass's case, IRS Form 8283 clearly shows that gifts of similar items, such as clothing, must be grouped for purposes of the appraisal rules.

You have to think the tax code's appraisal requirement pretty much does away with extensive clothing donations to Goodwill and the Salvation Army.

1 IRS Form 8283, Noncash Charitable Contributions (Rev. Nov ember 2022); Instructions for Form 8283 (Rev. December 2021); IRC Section 170(1)(11)(F); Reg. Sections 1.170A-13(c)(1)(i); 1.170A-13(c)(7)(iii).
2 Duncan Bass v Commr., T.C. Memo 2023-41.

Table 1. Examples of Charitable Contributions-A Quick Check

Use the following lists for a quick check of whether you can deduct a contribution.

Deductible As ***Charitable Contributions***	**Not Deductible As** ***Charitable Contributions***
Money or property you give to: • Churches, synagogues, temples, mosques, and other religious organizations • Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt or maintain a public park) • Nonprofit schools and hospitals • The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Scouts BSA, Girl Scouts of America, Boys and Girls Clubs of America, etc. • War veterans' groups Expenses paid for a student living with you, sponsored by a qualified organization Out-of-pocket expenses when you serve a qualified organization as a volunteer	Money or property you give to: • Civic leagues, social and sports clubs, labor unions, and chambers of commerce • Foreign organizations (except certain Canadian, Israeli, and Mexican charities) • Groups that are run for personal profit • Groups whose purpose is to lobby for law changes • Homeowners' associations • Individuals • Political groups or candidates for public office Cost of raffle, bingo, or lottery tickets Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups Tuition Value of your time or services Value of blood given to a blood bank

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