

IRS TAX TIP 2004-58

CHARITABLE CONTRIBUTIONS

The Internal Revenue Services advises that, when preparing to file your 2003 federal tax return, don't forget your contributions to charitable organizations. Your donations can add up to a nice tax deduction if you itemize on IRS Form 1040, Schedule A.

Here are a few tips to help make sure your contributions pay off on your tax return.

To be deductible, contributions of money or property must be made to qualified organizations, such as religious, charitable, educational, literary, scientific or war veterans' organizations, domestic fraternal societies, organizations that work to prevent cruelty to children or animals, or other qualified organizations. Organizations can tell you if they are qualified and if donations to them are deductible. The IRS Web site at www.irs.gov also has an Exempt Organization search feature to help you see if an organization is qualified. IRS Publication 78, "Cumulative List of Organizations," is available online at IRS.gov and in many public libraries.

Only contributions actually made during the tax year are deductible. Credit card charges and payments by check are deducted in the year they are given to the charity, even though you may not pay the credit card bill or have your bank account debited until the next year.

If your contributions entitle you to merchandise, goods or services, including admission to a charity ball, banquet, theatrical performance or sporting event, you can deduct only the amount that exceeds the fair market value of the benefit received.

Donations of stock or other property are usually valued at the fair market value of the property. For stocks and bonds with an active market, the fair market value is the average price between highest and lowest selling price on the valuation date.

Those who donate their cars may also claim only the fair market value of the car. The fair market value takes into account many factors, including the vehicle's condition. The fair market value may differ substantially from the car's "Blue Book" value. For vehicle donations, taxpayers must document the both the car donation and its fair market value.

For a contribution of \$250 or more, you can claim a deduction only if you obtain a written acknowledgment from the qualified organization. You must obtain

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this written acknowledgement by the date you file your tax return or the due date of the return, whichever is earlier. A person donating property valued at more than \$5,000 must obtain a qualified written appraisal.

You cannot deduct the value of your time or services, personal expenses, appraisal fees or contributions to specific individuals, among other things.

If you have questions about the deductibility of charitable contributions, call the IRS Tax Help Line for Individuals at 1-800-829-1040 or browse the IRS Web site at www.irs.gov. IRS Publication 526, "Charitable Contributions," and Publication 561, "Determining the Value of Donated Property," are available on the Web site under "Forms and Publications" or by calling toll free 1-800-TAX-FORM (1-800-829-3676).

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