With Charity for All—With Deductions for Some

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on behalf of the
National Association of Enrolled Agents
Charity Begins at Home

• §170 allows deductions for charitable contributions made w/in taxable year

• Not every “charitable” gift qualifies for a §170 deduction
Charity may be Boundless…

• …but §170 deductions are limited
  – generally to 50 percent of contribution base
    • CB is AGI computed w/o regard to NOL carryback
  – other limitations
    • 30 percent
    • 20 percent
Recipients Must be Qualified

- Generally § 501(c)(3) organizations qualify
  - important exception
    - §501(c)(19) organization
    - but what’s that?
What About Charity to Individuals?

• No matter how worthy an individual may be, a contribution is not deductible if any part of it inures to him/her

• Congress may make exceptions
  – 2015: Slain Officer Family Support Act
What About Direct IRA Transfers?

• PATH Act of 2015 made permanent
  – taxpayer must be at least 70 ½
  – maximum of $100k

• Question:
  – t/p wants to gift IRA @ in-person ceremony.
    May a check be issued to t/p for this purpose?
The Devil is in the Details

• Regulations usually parallel with IRC section
• §170 regulations are located under 170A
Two Important § 170 Details

• §170(f)(17): requires substantiation for cash contributions of any amount

• §170(f)(8): requires contemporaneous acknowledgement for gifts ≥ $250
What About Non-US Contributions?

• Contributions to organizations outside the U.S. generally not deductible

• Three (3) tax treaty exceptions exist

• Question: which three countries?
Pop Quiz: Warm-up

• On the following slides, for TY15 what’s the charitable contribution for each taxpayer?

• Note: no special elections have been made
Pop Quiz: Question 1

- On December 31, 2015, Angela:
  - mails $75 check to H4H; check clears bank Jan. 7, 2016
  - makes online $50 contribution to DwoB; pays credit card Mar. 22, 2016
  - makes $100 pledge to church building fund; pays pledge Feb. 25, 2016
Pop Quiz: Question 2

• Barry is a Florida State graduate and he:
  – Wrote a $500 check in May 2015
  – For the *right* to buy Seminole premium season football tickets
  – Tickets purchased separately
Pop Quiz: Question 3

• Carlos:
  – only TY15 income is $60k (on Form W-2)
  – wrote $100 checks on Apr. 20, 2015:
    • Mexican Red Cross
    • American Red Cross
    • Peruvian Red Cross
Pop Quiz: Question 4

• DeMarco owns a vacation home:
  – occasionally rents for $1,500/week
  – donated a week in June 2015 to church auction
  – winning bid: $1,800
Pop Quiz: Question 5

• Elena:
  – hosted Nigerian student for month of May
    • placed by Elena’s church
    • out-of-pocket costs: $140
Pop Quiz: Question 6

- Elena:
  - hosted 2\textsuperscript{nd} student for 21 days in June
    - same facts, out-of-pocket costs: $120
Pop Quiz: Question 7

• Fred’s AGI is $40k:
  – In August 2015, donated stock to Iona
  – Purchased four years ago for $4k
  – FMV = $20k date of donation
Pop Quiz: Question 8

- Giovanni purchases sculpture:
  - April 2015 yard sale purchase price = $450
  - September 2015 discovers FMV = $4,500
  - contributes to local museum
  - museum plans to display sculpture
Pop Quiz: Question 9

• Hermosa and the feral cats:
  – out-of-pocket expenses while volunteering
  – payments directly to 3rd parties, not org., and made incident to rendition of services
• $140 food
• $80 supplies
• $425 veterinarian (neutering)
Wrap-Up

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NOTE: Code citations available at NAEAs booth!