



A Tax Resolution & Wealth Management Firm

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Non-Cash Charitable Contributions

Non-cash charitable contributions are a bit more complicated than dropping off those used goods at the local thrift store collection point and keeping the non-descript receipt they give you. This is a legitimate deduction, but there are rules you must follow.

Note: This area was recently flagged as an area of significant non-compliance by the Treasury Inspector General for Tax Administration. These reports are something the IRS must respond to, and in this case we anticipate the IRS to initiate additional audits for this area.

If the total value of all contributions is less than \$500 then minimum documentation is required providing that the value is not more than \$250 in aggregate on a single date and donee. Simply get your receipt, note what was given, and assign a value to the donation.

Note that receipts need to include the name of the organization and their Taxpayer Identification Number (TIN) which is generally an Employer Identification Number (EIN). It must indicate the date of the contribution, a description of what was donated, and the value of the donation.

Annual Total Over \$500

If your total donations for the year exceeds \$500, then additional information is required and is reported to the IRS. Specifically, items must be identified, how you originally obtained them, when you obtained them, their current value and how you determined the value, and the value or amount you paid for them if purchased. While we sometimes summarize this information, such may not stand under audit. These details are required by law.

Individual Donation over \$250

If the total of the donations given to a single organization on a specific date exceeds \$250, then it is more complicated. You must now list precisely what was donated – and “bag of clothes” or “household items” is not acceptable. Each item must be listed.

In All Cases

Regardless of the above category, you must have the receipt before your tax return is filed. This is true for any charitable contribution. It is not acceptable to simply get the receipt later if needed. Court cases are endless with such contributions being disallowed.

Also, the receipt must state what benefit you received for the donation. The deductible portion is only the difference between what was given and the value received. Generally, the receipt will state something like “No goods or services received” or similar.

Richard Ogg is an Investment Advisor Representative and holds California Insurance License #0G48566.

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