

Different Types of Charitable Giving

The end of the year is a great time for you to think about donating to charity. Donations not only aptly express the generosity associated with the holiday season, but they help worthy organizations and allow you to save on taxes by claiming a charitable deduction. While most people think of donating cash or financial accounts, donating property can be advantageous as well.

Cars

Many organizations accept donations of cars, even if they do not currently run, and some will also take donations of other types of vehicles such as recreational vehicles, trucks, or motorcycles. You should transfer the title of the car to the charity and remove the license plate and registration. For the donation to be tax deductible, the charity receiving the donation must be a 501(c)(3) organization. You should obtain a written acknowledgement of the donation from the charity. If the charity sells the vehicle, the deduction should generally be for the charity's gross proceeds from the sale, but under some circumstances, a deduction can be claimed for the car's fair market value (i.e., the amount it could be sold for in the open market by a willing seller to a willing buyer) on the date that it is donated. However, if the written acknowledgment indicates that the donated vehicle sold for \$500 or less, you can claim a deduction for the lesser of the vehicle's fair market value on the date it was donated or \$500.

Household Items

Donations of household items such as furniture, appliances, books, and clothing to a 501(c)(3) organization are eligible for a charitable deduction of their fair market value on the date of the donation. Donated household goods and clothing must be in good used condition to be eligible for a deduction based on its fair market value. If they are not in good condition, you must attach a qualified appraisal and Internal Revenue Service (IRS) Form 8283, Section B to your tax return to claim a deduction of \$500 or more.

Building Materials

If you have materials left over after building a new house or old cabinets or fixtures after a remodeling project, you can donate them to a 501(c)(3) organization that helps families build affordable homes or sells donated materials to raise money for a charitable cause. Like household items, the amount of the deduction is the fair market value of the building materials on the date they are donated.

We Can Help

Charitable organizations often operate tight budgets and count on year-end donations to continue their missions. You can benefit a charity and possibly lower your tax bill by donating your old car or leftover building materials before the end of the year. However, keep in mind that

you can deduct charitable donations only if you itemize deductions on Schedule A of your IRS Form 1040. Even if you do not itemize your deductions, making a charitable contribution is worthwhile because it is an opportunity to benefit those in need. If you would like to discuss how to make gifts that both fulfill your charitable goals and benefit your family by lowering your taxes, please contact us.