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Receipts for Charitable Deductions

Along with the many changes of the Pension Protection Act of 2006, more stringent rules regarding proof for charitable deductions were put in place. No longer is there a "de minimis" allowance deduction for donations under \$250. ALL donations require various forms of substantiation dependent upon the donation amount.

For contributions made after August 17, 2006, the donor must maintain a cancelled check, bank record or receipt from the charitable organization showing the organization's name, date of contribution, and the amount of the contribution. For amounts under \$250, the organization's receipt is not mandatory. In the case of payroll deductions, the employer's stub and/or W-2 will serve to substantiate the donation. Likewise, a pledge card from the charity will suffice, if the payroll deduction is a one time gift of \$250 or more. If applicable, the receipt must also show the fair market value of any goods or services of \$75 or more received by the donor for such contributions (ie. a \$100 dinner ticket may only equate to a \$60 charitable donation). Out-of-pocket costs made on behalf of a charity may also be deducted; however, receipts must be kept for these costs.

In the case of non-cash donations, a deduction will be prohibited for clothing and household items unless they are in good used condition or better. If the value is more than \$500, a completed Form 8283 must also be attached to your return. For property valued over \$5,000, a qualified appraisal is also required to be attached to your return. However, an appraisal is not required for publicly-traded securities donated, since their values are readily available. For nonpublicly-traded stock valued between \$5,000 and \$10,000, an appraisal summary and maintenance of certain records will be required. If artwork valued at \$20,000 or more is donated, a qualified appraisal is also necessary.

A qualified appraisal must be within 60 days of the contribution, include the description of the donated property, its condition, any restrictions imposed, and the contribution date. The appraiser's qualifications, background, experience and education must also be included. In addition, the valuation method, basis for valuation, fair market value on the date of contribution and a statement that the appraisal was prepared for income tax purposes must be stated.

In the case of a motor vehicle, boat, or airplane having a value of more than \$500, the donor's charitable deduction cannot exceed the gross proceeds derived from the charity's sale, with certain exceptions. If the organization substantially improves the property, makes significant use of the property, or gives the property away to someone in need, then an exception will be applied. However, all details of the property's disposition must be supplied to the donor from the organization within 30 days of the sale.

As you can see, the record keeping of all donations is imposed on the donor and the charitable organization. When in doubt, use a check for that collection plate and always keep a receipt for non-cash donations as well. Gone are the days of just throwing in excess change or just dropping off clothes for those charitable deductions.

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