Charitable Planning Tools Your Clients Can Use

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Charitable Income Tax Deduction Basics (pp. 2-7)

- Charitable income tax deduction depends upon:
  - Type of donee organization
  - What is donated (cash vs. various types of property)
  - Donor's "contribution base"
- Charities broadly characterized as:
  - "50% Charities":

    Hospitals, medical research org's
    Churches
    Schools, colleges, universities
    University supporting org's
    State and local governments
    Publicly supported org's
  - "30% Charities":

    Private foundations (other that private operating foundations and "conduit private foundations)

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Cash Contribution Limits (pp. 3-4)

- "50% Charities"
  - Normal rule: Deduction limited to 50% of contribution base
  - TCJA 2017: Increased to 60% of contribution base for 2018-2025
  - CARES Act: Increased to 100% of contribution base for 2020 and $300 "above the line" deduction for taxpayers that don't itemize
- "30% Charities"
  - Up to 30% of contribution base
  - No special enhanced deductions after 2017
- "Contribution Base" is donor's Adjusted Gross Income, computed without regard to net operating loss carry-backs
  - TCJA eliminated most post 2017 NOL carry-backs
  - CARES Act permits 5-year carry-back of 2018-2020 losses

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Property Contribution Limits (p. 4)

- Capital gain property (property that if sold would yield long-term capital gain
  - 50% Charities: Deduct full fair market value up to 30% of CB
  - 30% Charities:
    - Deduct lesser of FMV or basis up to 20% of CB
    - "Qualified Appreciated Stock" gets full FMV deduction up to 20% of CB
- Tangible personal property
  - Property related to donee's exempt purpose? Deduct FMV, otherwise basis
  - 30% and 20% contribution limits apply
- Ordinary income property (e.g., inventory, crops, etc.)
  - Donations limited to basis
  - Applies also to short-term capital gain property

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Substantiation Requirements (pp. 4-5)

- Requirements vary with amount of gift
- **Less than $250:** donor must keep written documentation (cancelled check or receipt from charity)
- **$250 or more:** Charity must provide written receipt by tax return due date. Must state whether donor received any benefits and charity's estimate of FMV of benefit received
- **Non-cash gifts $500-$5,000:** Donor must keep written record of basis
- **Non-cash gifts > $5,000:** Qualified appraisal required except for gifts of publicly traded securities
- **> $500,000:** Donor must attach qualified appraisal to tax return

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Benefits Received by Donor (pp. 5-6)

- Donor must reduce deduction by benefits received
- Failure to report benefit received results in denial of deduction
- Charity must provide good faith estimate of benefit
- Exception for "de minimus" benefits
  - No reduction if benefit is less than lesser of $112 or 2% of gift
  - No reduction if donor gives at least $56 and benefit bears charity's logo and costs less than $11.20
  - Amounts are 2020 values ($80, $40, and $8, adjusted for inflation)

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