## **CPA**

## Practice **Advisor**

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Here are some tips to remember when doing some last-minute donating and what to remember when preparing the paperwork.

Dec. 30, 2013

It's the season of giving, but there are ways to make the best of your donations.

Writing a check to a charity can be easy, but tax laws can sometimes be challenging. Here are some tips to remember when doing some last-minute donating and what to remember when preparing the paperwork.

Know the charity: There are many charities to choose from, large and small, and they're all asking for money.

"My personal belief is to give to charities that are meaningful to you," said Martin Darocha, a personal certified accountant in Shillington. But before mailing a check, do some research.

Alex Pabellon, a personal certified accountant in Wyomissing, suggested that potential donors cross-reference organizations with the Better Business Bureau and IRS.gov.

He said some safe bets on what are considered tax deductible organizations are religious institutions, hospitals that aren't for profit and state universities.

How to give: A donation is a donation, but Pabellon said checks and credit cards provide an immediate audit trail, so they're better for organizational purposes.

With so much soliciting, Darocha recommends donors take their time and not feel pressured, such as receiving phone calls, emails or letters asking for money.

"I would not do things over the phone unless I knew the charity, and I initiated the

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when it comes to donating. For instance, giving \$300 to the city's parks department is deductible.

Donations without receipts and dropping a buck into the Salvation Army bucket outside the mall are not tax deductible.

Volunteering is also a good way to give, but it's not deductible. But out-of-pocket expenses that are used while volunteering, such as supplies or gas to drive to and from a location, may be tax deductible.

Get it in writing: If you make a donation that's \$250 or more, make sure to get written evidence from the charity noting the donation and if the donor received something in return. If the donor received something in return, include a good-faith estimate of the value. If you get something in return, you generally can deduct only the amount of your gift that exceeds the value of that benefit.

While many charities keep decent systems that keep track of donations, Darocha said donors should be proactive and get receipts when the donation is done.

"It's the most common problem I run into, people not having documentation," he said.

Value it properly: Contributions aren't just limited to cash, but it's also a trickier donation. Physical items, such as clothes to the Goodwill, can also be tax deductible. However, they must be valued within reason.

"The ticket price you paid has no relation to what you're going to be able to deduct," Pabellon said.

For instance, if someone takes five coats to Goodwill that were originally purchased for \$100 each, you're not going to deduct \$500, because the coats are going to sell for

a lot less at the store. Sometimes, charities will assist in valuing the items.

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Rules can be a little thorny, so you can see IRS Publication 561 for more detailed explanations as you prepare tax returns.

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Income Tax

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