Thinking of making a big donation to charity or buying small gifts for business associates? Such gestures may provide you with your own present next year: a tax deduction.

Isaac M. O'Bannon • Oct. 27, 2014

Considering giving a large cash gift to a loved one during the coming holidays? Thinking of making a big donation to charity or buying small gifts for business associates? Such gestures may provide you with your own present next year: a tax deduction.

The National Society of Accountants (NSA) points out that some tax advantages make giving gifts a real bonus for your return.

Cash to friends and family

According to the Internal Revenue Service (IRS), you can give unlimited assets to a spouse who is a U.S. citizen and incur no gift taxes (see more about these at the IRS website). If your spouse is not an American citizen, your gift tax exclusion for 2014 is $145,000 after tax.

For gifts to children or other non-spousal beneficiaries, the 2014 annual gift tax exclusion is $14,000. (Gifter and giftee need not be related.)

A couple can give as much as $28,000 combined ($14,000 each). If you gift over $14,000 jointly, you will have to file a gift tax return to elect gift-splitting, even if you don't owe taxes. (See the 2013 version of the form at http://www.irs.gov/pub/irs-pdf/f709.pdf.)

Special monetary gifts

Tax breaks also apply to gifts for specific purposes. For example, gifts to U.S. citizen

a qualified domestic or foreign institution for tuition, free of gift tax.

Medical costs: Under the medical exclusion, payments made to a medical provider are free of gift tax. You must pay the provider directly.

Donations to charities

A check to a favorite charity is a time-honored giving tradition. To get a deduction, you must give to a qualified organization. You cannot deduct contributions to specific individuals, political organizations, and candidates. For rules on what constitutes a qualified organization, see IRS Publication 526, Charitable Contributions, at http://www.irs.gov/publications/p526/index.html.

To deduct a charitable contribution, you must file Form 1040 and itemize deductions on Schedule A.

If you receive a benefit because of your contribution such as merchandise, entertainment tickets, or other goods, you can deduct only the fair market value of the benefit.

Donations of stock or other non-cash property are usually valued at the fair market value of the property. Clothing and household items must generally be in good used condition or better to be deductible. Special rules apply to vehicle donations.

Regardless of the amount, to deduct a contribution of cash, check, or other monetary gift, you must maintain a bank record, payroll deduction records, or a written communication from the organization containing the name of the organization, the date of the contribution and amount of the contribution. For text message donations, a telephone bill meets the record-keeping requirement if it shows the name of the receiving organization, the date of the contribution, and the amount given.

To claim a deduction for contributions of cash or property equaling $250 or more,

$5,000 must also complete Section B of Form 8283, which generally requires professional appraisal.

Business gifts

If you give gifts in the course of your trade or business, you can deduct all or part of the cost up to $25 for gifts to each colleague during the tax year.

Indirect business gifts fall under this rule, too. A gift to a company that's intended for the eventual personal use of a particular person (or a limited class of people) is also an indirect gift subject to the limit, as is a gift to a member of a customer's family, with some strict exceptions.

Incidental costs, such as engraving on jewelry, or packaging, insuring, and mailing, are generally not included in determining the cost of a gift for the $25 limit.

The IRS will classify as "entertainment" any item that might be considered either a gift or entertainment. If you give a customer or colleague tickets to a theater performance or sporting event, for example, and you don't go yourself, you can treat the ticket cost as either a gift expense or an entertainment expense, whichever is to your tax advantage.

A gift that costs $4 or less, has your name clearly and permanently imprinted, and is one of a number of identical items you widely distribute (pens, fridge magnets or mugs, for example) does not constitute a business gifts for purposes of the $25 limit and deduction.

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