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The taxpayers said they gave Goodwill 1,040 items of boys' clothing, 811 items of girls' clothing, 658 items of men's clothing and 945 items of women's clothing. In the furniture category, they reportedly gave 115 chairs, 6 lamps, 22 bookshelves ...

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Although taxpayers can claim valuable income tax write-offs for gifts of property to charity, they should not get greedy. If a taxpayer doesn't have the proper records to back up the claims, most or all of the deduction may be denied. Take the couple from West Virginia in a new case. They claimed to have donated more than 20,000 household items, valued at \$145,250, in a single tax year! Not surprisingly, the IRS challenged the deduction.

**Starting point:** The tax law imposes strict record keeping requirements for charitable gifts of property. Following the rules enables you to claim the maximum allowable deduction.

If donated property such as used clothing and household items has declined in value, you can deduct the current fair market value (FMV) of the property. However, additional tax return information is required for gifts valued above certain thresholds. For gifts above \$500, you must attach to the tax return a written description of the donated property and other relevant information. If the gift is valued at more than \$5,000, the client must obtain an independent appraisal of the donated property and attach an appraisal summary to the return. Similar items of property must be aggregated in determining whether gifts exceed the \$500 and \$5,000 thresholds.

The taxpayers in the new case didn't have much of a chance when the Tax Court examined their records (Ohde, TC Memo 2017-137, 7/120/17)

Facts of the case: For the 2011 tax year, the taxpayers allegedly donated more than

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Goodwill, among other items, 115 chairs, 36 lamps, 22 bookshelves, 20 desks, 20 chests of drawers, 16 bedframes and 14 filing cabinets. In addition, they claimed to have donated 3,153 books to Goodwill.

The Tax Court did not find the taxpayers' testimony on any of these points credible. For each delivery, they received from Goodwill a one-page printed receipt. Each receipt stated that Goodwill had received items in one or more of the following categories: clothing, shoes, media, furniture, or household items. The receipts did not further describe any of the items or indicate how many items in any category were received, nor did the receipts include any indication as to the items' condition.

At trial, the taxpayers produced a spreadsheet generated by the TurboTax "ItsDeductible" program. This spreadsheet listed the types of items allegedly delivered to Goodwill on each of the trips (e.g., "boy's socks," "coffee cups" or "men's shirts"), the number of items of each type allegedly delivered and the "quality" of each item. For every one of the 20,000 items, the quality was listed as "high." The taxpayers didn't indicate the cost basis of any of the items.

This spreadsheet was not prepared contemporaneously with the gifts or supported by any other records. Again, the Tax Court didn't find the taxpayers' testimony on these points to be credible.

In their post-trial brief, the taxpayers provided a new spreadsheet linking purported dollar values to the individual items. Yet there was no evidence to establish how these supposed dollar values were determined. The taxpayers relied on similar records for other tax years in which they claimed extremely large deductions for charitable gifts of used clothing and other household items.

**End point:** Accordingly, the Tax Court limited the taxpayers' deduction to a mere \$250 of the \$145,250 they initially claimed. To add insult to injury, it also tacked on

an accuracy-related penalty.

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