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Ken Berry • Oct. 25, 2023



Are you feeling generous during this holiday season? If so, you may be inclined to increase your charitable gift-giving at the end of the year. Generally, you can reap some tax rewards for your benevolence, but you must contend with several special rules.

Notably, you can claim deductions for charitable donations only if you itemize

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For starters, a taxpayer can often deduct the full amount of cash or cash-equivalent contributions made to charity, as long as strict substantiation requirements are met.

However, the total annual deduction for these monetary contributions is currently limited to 60% of your adjusted gross income (AGI). Any excess may be carried forward for up to five years.



Now suppose that you donate property instead of cash to a charity. This is where things get really tricky.

**Here's why:** Usually, for donations of long-term capital gain property, you can deduct the property's full fair market value (FMV). This rule applies to property that would have produced a long-term capital gain if you had sold it instead of donating it (i.e., property you have owned for more than one year). There's no tax on the appreciation in value—ever.

However, if long-term capital gain property is donated to a charity, the deduction is generally limited to 30% of your AGI. If your charitable donations of property exceed the 30%-of-AGI limit for the current year, the excess may be carried forward for up to five years.

Is that the end of the story? Not quite. When you donate property to charity, it must be used to further the charity's tax-exempt mission. For instance, if you're donating artwork to a museum, make sure it is displayed. Otherwise, your deduction is limited to your basis in the property, regardless of how long you've owned it. In other words, you can't deduct its FMV even if it qualifies as long-term capital gain property.

Finally, be aware that a charitable donation charged by credit card in late December

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