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## TAX TUESDAY – CHARITABLE CONTRIBUTION

Welcome to our weekly “Tax Tuesday” series. Today’s topic is Charitable Contribution. Many taxpayers believe charitable contribution is giving cash to perhaps a church or a non-profit organization and deducting that contribution on their tax return. However, as with all things taxes, a charitable contribution involves much more than cash contribution and can be somewhat complex depending on the taxpayer’s specific situation. The IRS defines charitable contribution as “a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value.” In addition to cash, contributions may include clothing or other household items, a car or property. These contributions are subject to special rules and in relation to property; the charitable contribution amount is the fair market value (FMV) of the property at the time of the contribution.

A taxpayer must itemize their charitable contribution on Schedule A of their Form 1040 return in order to benefit from and deduct the contribution. However, the charitable contribution and other itemized deductions has to exceed the standard deduction which is \$12,950, \$19,400 and \$25,900, for single filers, head of household and taxpayers filing joint returns, respectively.

Charitable contribution can be deducted if the taxpayer gives money or property to any of the following:

- churches, synagogues, temples, mosques, and other religious organizations
- Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt or maintain a public park)
- Nonprofit schools and hospitals
- The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Scouts BSA, Girl Scouts of America, Boys and Girls Clubs of America, etc.
- War veterans' groups

Contributions cannot be deducted for the value of a taxpayer’s time or service or for tuition paid by the taxpayer. In addition, a taxpayer cannot deduct contribution to a specific individual, for one’s personal expenses or to a nonqualified organization. For information on deductions paid for tuition and other credits, see our “Tax Tuesday” series dated March 7, 2023 entitled Tax Credits. For more information on additional deductible and non-deductible charitable contributions please visit the IRS website.

A taxpayer's charitable contribution deduction is subject to certain limits – contributions generally cannot be more than 60% of the taxpayer's adjusted gross income (AGI). There are other conditions where your AGI is subject to the 20%, 30% or 50% limit, depending on the property you donated or the type of organization to whom you gave the donation. If your charitable contribution exceeds the amount you can deduct given the AGI limitation, that excess or carryover amount can be deducted in each of the next 5 years. If for example during the carryover years your marital status changes or you become a widow/widower or you claim the standard deduction rather than itemize then there are special rules that will apply and you may want consult your tax advisor.

As indicated above cash contributions are reported as itemized deduction on Schedule A, whereas noncash contributions between \$500 and \$5,000 are reported on Form 8283, Section A. Deductions or contributions over \$5,000 are reported on Form 8283, Section B. This article is a brief summary of the charitable contributions deduction that most taxpayer's may encounter. Although not typical, there are numerous factors and considerations that may apply such as the treatment or the FMV of a donated property that has increased or decreased in value. Likewise a taxpayer may be required to recognize capital gains on an appreciated property that was donated to charity.

We always recommend and encourage taxpayers to consult with your Tax Advisor, if required. **PA Financial, CPA** will continue to highlight and explain other tax benefits for individual taxpayers. If there's a specific topic you would like us to discuss, particularly for this "Tax Tuesday" series please visit our website: [www.pafinancials.com](http://www.pafinancials.com) or send email inquiry to: [Philip@pafinancials.com](mailto:Philip@pafinancials.com).