

## Tax Reporting & Record Keeping for Charitable Giving Deductions

Federal and state rules concerning charitable giving and tax deductions are variable and complicated. The information that follows is meant to provide some guidance to help our clients assemble necessary information and to understand the relevant tax reporting. It is not a complete set of instructions, nor is it meant to be tax advice. [CLICK HERE](#) for current IRS guidelines.

### There are many worthwhile ways to be generous and charitable.

Some charitable gifts also qualify as deductions on federal and state tax returns.

Included in this document is some guidance about...

...what donations qualify as a deduction

...what is required to report a qualified donation on your return

...what record keeping and substantiation is necessary

...what information and documents does Lottsa want you to provide when preparing your return



### What charitable giving qualifies for a tax deduction?

Only gifts made to U.S. charities registered as 501(c)3 non-profits. Examples include religious institutions, educational institutions, community service organizations, arts organizations, non-political advocacy groups, foundations, and fraternal organizations. Individuals may also contribute to Donor Advised Funds, which are held by a non-profit custodian. IRS has a searchable database of 501(c)3 organizations: <https://apps.irs.gov/app/eos/>

### What charitable giving does NOT qualify?

- Political donations (Candidates, political parties, Political Action Committees)
- Donations to organizations that work for specific political outcomes (eg. ACLU, Human Rights Campaign, MPRIG, Sierra Club, NRA, Planned Parenthood Action Fund)
- Gifts to individuals, including fundraisers on behalf of people via GoFundMe and other fundraising platforms.
- Gifts to organizations that are not legally registered non-profits, although the work they do is charitable. (e.g. An informal church group)
- Time spent on behalf of a non-profit, including professional time that a person is normally paid for. (e.g. Legal advice, carpentry, graphic design, donated time at a cabin to a silent auction)



**Reporting Cash Donations** on the tax return is a matter of providing a grand total of donations for the year made by cash, check, cash-application, or credit-card.

### Reporting Non-Cash Donations on a tax return – value and cost basis

**Non-Cash** donations include any gift that is not provided as cash, check, cash-app or credit card charge. Donations of securities is considered non-cash.

- Detailed reporting is **not** required on the tax return **IF** the value of **all** non-cash donations made during the calendar year totals **\$500 or less**.

- If the calendar year’s combined value of all non-cash donations **exceeds \$500**, detailed reporting is required on the tax return, including:
  - Organization(s)
  - Date(s)
  - Description(s) of donation(s) (e.g. Used Clothing, Canned Goods, etc.)
  - Value(s) at the time of donation
- If the value of any **single gift is greater than \$500**, the taxpayer must also provide information about the original cost of the item(s) donated.
  - For used clothing and/or household items: report the actual or best estimate as to what the original cost for the clothes was at purchase
  - For items bought specifically to donate: provide the amount paid for food, toys, etc. that was donated immediately. (e.g. Food for a food shelf, Toys-for-tots gift)

## Reporting other Charitable Deductions

- **Mileage accrued** while driving on behalf of the charity. (Report the total number of miles, and keep contemporaneous records)
- **Out of pocket expenses** incurred on behalf of a charity. (Report totals & maintain records, e.g. travel expenses, supplies used, laundry cost)



## Record keeping (Cash & Non-Cash donations)

- Simple receipts, credit card statements, and bank records are sufficient record keeping for any single charitable donation valued at less than \$250, as long as it includes the recipient’s name, date and amount.
- For any donation of \$250 or higher, the record of the donation must include the following to be considered valid by tax authorities:
  - Donor’s Name (Taxpayer and/or Spouse)
  - Name of non-profit organization
  - Name and Address of the tax exempt organization
  - If...
    - ...a donation by cash, the dollar amount given
    - ...a non cash donation, a record of what was donated (used goods, securities, food, etc.)
  - The date the donation was received
  - Language stating either:
    - *“No goods or services were provided in exchange for this contribution.”*
  - Or
    - A statement that the deductible portion of gift is the total donation, minus the value of the goods or services received. (For instance - The deductible portion of a donation to NPR, is reduced by the value of a thank you gift, such as a tote bag.)

## More guidelines to consider:

- **Many states, including Minnesota, have a charitable deduction available to filers who do not itemize** , meaning it is worthwhile to include details of eligible charitable gifts even if you do not expect to claim that deduction on your federal return.
- A non-profit is required to issue a 1098-C to the **donor of a vehicle** valued at \$500 or more. In order to claim the deduction, the donor is required to attach that 1098-C to their tax return.
- Donations of appreciated non-cash assets > \$5,000 will require a 'Qualified Appraisal'. Publicly traded securities are exempt from this requirement

- If making a **Qualified Charitable Distribution (QCD)** from a Traditional IRA, directly to a 501(c)3 non-profits:
  - the same record keeping rules for cash donations apply
  - donations to Donor Advised Funds are NOT permitted as a QCD
  - receiving a thank you token (like a mug, tote bag) disqualifies the donation as a QCD, but it remains eligible as an itemized deduction after subtracting the item's value.
- There are **annual limits** to the size of total charitable deduction, depending on (1) that year's taxable income, (2) the amount of total tax liability for the year and (3) the nature of the donation. In many cases, contributions that exceed one year's limit may be carried forward to apply to tax liability in future years.



## WHAT RECORDS DOES LOT TSA WANT OUR CLIENTS TO PROVIDE?

The most efficient and cost-effective way to report charitable giving to Lottsa is to use the organizer to provide the information needed. Clients should retain the necessary receipts and records for their own records, but it is unnecessary to provide Lottsa with all the supporting documentation, except in the specific circumstances described below.

For example, the following organizer information is “complete” for the purpose of completing the tax return.

- *{On the Organizer Questionnaire}*
  - **Yes ✓** - “For each charitable contribution of \$250 or more during 2024, do you have an acknowledgement from the charity with the wording similar to “no goods or services were provided in exchange for this contribution”?”
- *{On the Organizer page for Itemized Deductions: Cash Contributions: Contributions by Cash or Check}*
  - **“Various \$3250”**
- *{On the Organizer page for Itemized Deductions: Cash Contributions: Number of charitable miles}*
  - **“42 Miles”**
- *{On the Organizer page for Itemized Deductions: Noncash Contributions}*
  - **“\$550 Goodwill 6/6/2024 – Used Clothing & Furniture. Original cost \$1200”**
  - **“\$30 Toys for Tots 12/15/2024”**

## In certain circumstances, Lottsa will request documentation for the return and/or our files, such as:

- a copy of the receipt(s) for any singular donation valued \$1,000 and above
- the 1098-C form and information for the donation of a vehicle
- any appraisal for a donation of appreciated assets
- for donated securities, any acknowledgement receipt from the non-profit or Donor Advised Fund, and information about the original purchase/receipt and cost.
- When charitable giving has a large impact on the outcome of the return, we may request to review the receipts to ensure that they will withstand scrutiny.