Income Tax Charitable Deduction

CONCEPT APPLIED:
Making a gift to a qualified charitable organization during life lets donors see their donations at work. Donors who itemize also enjoy a tax deduction (subject to limitations).

HOW IT WORKS:

Cash gifts are deductible up to 60% of adjusted gross income for public charities (30% for private foundations).

Appreciated property is deductible at fair market value up to 30% of adjusted gross income, or cost basis up to 50% of adjusted gross income.

Tangible personal property (i.e., collectibles) is deductible at fair market value if used for the charity’s exempt purpose (if not, the donor may only deduct the cost basis).

Intellectual property, life insurance, artworks and motor vehicles have special valuation rules.

An individual must obtain a written appraisal for gifts (other than cash and publicly traded securities) valued over $5,000.

WHY IS IT USEFUL?
An income tax deduction in the year a charitable gift is made means a smaller tax bill. As such, the deduction lets donors make larger gifts than might otherwise have been possible.