PERSPECTIVE

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There's still time to make your year-end deductible gifts to charity

By Robert W. Wood

Year-end is traditionally the time for giving, and some advisers suggest making 2012 a big year for contributions. Although tax rates are rising in 2013, that doesn't mean you'll get more from making charitable contributions next year. It's the season, plus it's your last chance to make a donation and write it off on your taxes. That encourages philanthropy.

Many charities are making a big push this year, due in part to speculation that tax deduction rules could be curtailed. To help make a decision, try to project figures for both 2012 and 2013, even if you have to make some assumptions. Here are some tips to help you plan.

Contributions are deductible in the year made. Donations charged to a credit card before the end of 2012 count for 2012, even if the credit card bill isn't paid until 2013. Checks mailed in 2012 count for 2012, even if the check isn't cashed until 2013.

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Partnerships, corporations, LLCs and individuals can all make deductible contributions. But if you are an individual, you can't deduct charitable contributions unless you itemize on Schedule A to your Form 1040. There are limits of course. In general, you can only take a deduction of up to 50 percent of your adjusted gross income for most charitable contributions (30 percent in some cases), and there may be additional limitations on your ability to deduct these contributions.

Another basic rule is to make sure your chosen organization is qualified. This is fundamental but important. You can't deduct contributions to individuals, political organizations or candidates. The IRS maintains a list of all charities. To confirm the tax status of an organization, check whether it is on the IRS list, Exempt Organizations Select Check.

Donations in cash, by check, electronic transfer, credit card and payroll deduction can all qualify. For payroll deductions, retain a pay stub, Form W-2 wage statement or other document furnished by your employer showing the total amount withheld for charity, along with the pledge card showing the name of the charity. Still, you need an acknowledgment from a charity for each deductible donation (either money or property) of $250 or more.

Cash may be king, but if you're donating cash you must have proof. To claim a deduction for money you donate, you must maintain a bank record, payroll deduction record or written communication from the organization containing its name, the date and amount of your contribution. For text message donations, your telephone bill will suffice if it shows the name of the organization receiving your donation, the date and amount of the contribution.

You must have a bank record or written communication from the charity showing its name, the date and amount of your contribution. Bank records include canceled checks, bank statements and credit card statements. Bank statements should show the charity's name, the date and amount of your donation. Credit card statements should show the same information plus the transaction posting date.

Cash contributions without any record don't cut it. Cash contributions of $250 and up must be supported by even more. Here, you'll also need a statement by the charity showing whether the charity provided any goods or services in exchange for the gift. If you make a property contribution worth $250 or more, you must also retain a statement by the charity describing the property and its value.

For lawyers and others who bill by the hour, there's one sobering fact about donating your time. It's still good to donate your time, but you can't deduct the value of your time or services. This is so even if you bill by the hour and donate many hours of otherwise billable time to charity.

Then there is the *quid pro quo* problem. Charities often hand out perks in exchange for donations. If your donations entitle you to merchandise, goods or services, you can only deduct the amount exceeding the fair market value of the benefits you received. So if you pay $500 for a charity dinner ticket but receive a dinner worth $100, you can deduct $400, not the full $500. If you donate $500 to KQED and receive a $200 DVD set, your contribution is $300.

Donations of stock or other property are usually valued at fair market value. For all donations of property, get receipts including the name of the charity, date of the contribution, and a description of the donated property. There are special rules for donations of vehicles. The deduction for a motor vehicle, boat or airplane donated to charity is usually limited to the gross proceeds from its sale if the claimed value is more than $500. IRS Form 1098-C, or a similar statement, must be provided to you by the organization and attached to your tax return.

Charities and fundraisers are subject to state law on transfers of title to vehicles. Generally, state charity officials suggest that the donor should transfer title himself to terminate his liability. In most states, this involves filing a form with the DMV. To help avoid liability, donors should also remove their license plates before the donation, unless state law requires otherwise.

Clothing and household items like furniture, furnishings, electronics, appliances and linens must be in good used condition or better. If your noncash contributions for the year total over $500, you must complete IRS Form 8283, Noncash Charitable Contributions, and attach it to your return. See Instructions to Form 8283, available at http://www.irs.gov/pub/irs-pdf/i8283.pdf.

If you donate an item (or a group of similar items) worth more than $5,000, you must also complete Section B of Form 8283, which requires an appraisal by a qualified appraiser. A "qualified appraiser" must meet IRS criteria, so allow time for these formalities.

For these and other charitable contribution rules, see IRS Publication 526, Charitable Contributions. If you want the IRS's take on valuation of noncash items, see IRS Publication 561, Determining the Value of Donated Property.

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