

Charitable Tax Deductions are Easy and Rewarding

People who give to charity do so freely, without a tinge of "what's in it for me". But even the most earnest philanthropists will agree that a tax break can make the good feeling you get from giving, even better.

When you donate to your favorite charity, make sure to let the tax agency know. Charitable tax deductions are readily and legitimately available to you. Your contributions to charitable organizations can add up to a sizeable deduction when you itemize them on IRS Form 1040, Schedule A.

Before you make any donations, be sure to carry out a few checks. Remember that only donations made to organizations that are recognized by tax agencies are eligible for tax deduction. Refer to the IRS Publication 78 for a complete list of all recognized charitable organizations. Check your public library or search online to view this list.

Tax benefits are not available on donations made to individuals, political leaders or political organizations. Further, you cannot claim a tax break for time spent raising money for organizations by holding raffles, bingo or any other games of chance.

Tax deductions are available on contributions made in the form of goods, services or merchandise. This deduction must be claimed on the fair market value of these goods or services. For example, you may choose to donate by gifting stocks of your company. In this case, the value of the donated stocks will be calculated as the average of highest and lowest traded prices on the date of valuation.

You may also receive a tax break by donating a vehicle. The amount of the deduction will be based on the vehicle's resale value at the time of donation. This is also true of planes and boats donated to charity. However, if the claimed value of the donated boat, plane or motor vehicle exceeds \$500, and the item is sold by the charitable organization, the tax break is limited to the gross proceeds from the sale.

If you are donating a household or personal item, a deduction can be claimed on the amount that the item would have fetched at a garage sale or at a flea shop. To qualify for a tax deduction, a proper receipt is required for all charitable contributions over \$250.

Only contributions made during the tax year will qualify for a deduction. If you have used a credit card or issued a check, it does not matter what date the transaction shows on your account. You can claim the deduction only in the tax year that you made the donation.

Even if you don't expect to get anything in return for your goodwill, go ahead and keep a list of your charitable donations. The taxman will appreciate and reward your generosity.