Substantiation of Charitable Contributions

Charitable contribution deductions are allowed only if the taxpayer satisfies the IRS substantiation requirement. The nature of the required substantiation depends on the size of the contribution and on whether it is a gift of cash or property. For contributions of $250 or more, the taxpayer must obtain a "contemporaneous written acknowledgment" from the charity.

Separate contributions of less than $250 are not subject to this requirement regardless of whether the sum of the contributions made by a taxpayer to a charity during a taxable year equals $250 or more. The main substantiation requirements are summarized below:

(1) Contributions of property valued at $250 or more.

Contributions of noncash property valued by a donor at $250 or more must be substantiated with a *contemporaneous written acknowledgment* that includes:

- A description (but not value) of any property other than cash contributed;
- States whether the receiving organization provided any goods or services in exchange for the gift;
- If the receiving organization did provide goods or services, include a description and good-faith estimate of their value.

The acknowledgment must contemporaneous (timely) if the taxpayer obtains it from the receiving organization on or before the earlier of:

- The date the taxpayer files a return for the year of contribution; or
- The due date, including extensions, for filing that return.

(2) Contributions of property valued at more than $500

Taxpayers are required to maintain additional reliable written records with respect to each item of donated property.

These records must include:

- The approximate date the property was acquired and the manner of its acquisition;
- A description of the property in detail reasonable under the circumstances;
- The cost or other basis of the property;
- The fair market value of the property at the time it was contributed;
- The method used in determining its fair market value.

(3) Donations of clothing and household items

No deduction is allowed for "any contribution of clothing or a household item" unless such property is "in good used condition or better."

The tax regulations specify that the term "'household items" includes "furniture, furnishings, electronics, appliances, linens, and other similar items." Food, paintings, antiques, and other objects of art, jewelry and gems, and collections are excluded from the definition.

A deduction may be allowed for a charitable contribution of an item of clothing or a household item not in good used condition or better only if the amount claimed for the item is more than $500 and the taxpayer obtains a qualified appraisal of the property and attaches a qualified appraisal summary (Form 8283) to the tax return claiming the deduction.

If the donated item is in good used condition or better and a deduction in excess of $500 is claimed, the taxpayer must file a completed Form 8283 (Section A or B, depending on the type of contribution and claimed amount), but a qualified appraisal is required only if the claimed contribution amount exceeds $5,000.

If the donor claims a deduction of less than $250, the donor must obtain a receipt from the church or charity or maintain reliable written records of the contribution. A reliable written record for a contribution of clothing or a household item must include a description of the condition of the item. If the donor claims a deduction of $250 or more, the donor must obtain from the church or charity a receipt that meets the requirements of a contemporaneous written acknowledgment (see above).

What This Means for Churches

A deduction may be allowed for a charitable contribution of an item of clothing or a household item not in good used condition or better only if the amount claimed for the item is more than $500 and the taxpayer obtains a qualified appraisal of the property and attaches a qualified appraisal summary (Form 8283) to the tax return claiming the deduction.

Household items include furniture, furnishings, electronics, appliances, linens, and other similar items. Food, paintings, antiques, and other objects of art, jewelry and gems, and collections are excluded from the definition.

If the donated item is in good used condition or better and a deduction in excess of $500 is claimed, the taxpayer must file a completed Form 8283 (Section A or B, depending on the type of contribution and claimed amount), but a qualified appraisal is required only if the claimed contribution amount exceeds $5,000.

Failure to understand and comply with these rules can lead to a loss of a charitable contribution deduction. As a result, it is helpful for church leaders to be familiar with these rules so they can advise persons who donate clothing and household items.