

TAX BENEFITS OF CHARITABLE GIVING: IMPORTANT 2022 UPDATES

SPOKANE COUNTY UNITED WAY

With a charitable tax deduction, you can donate to a good cause and cut your tax bill at the same time. For many individuals and corporations, the CARES Act, which was signed into law to help American workers and businesses mitigate the devastating economic effects of the coronavirus outbreak, allowed for a temporary expansion of the charitable deduction for individuals, couples, and corporations. That provision expired at the end of 2021.

Additionally, the CARES Act provided a temporary suspension of the Required Minimum Distributions (RMD) from most retirement plans for 2020 but was not extended into 2021. With both provisions now expired, it is important to know how you can still benefit from supporting the causes and social programs you care about. And, like most tax laws, these items may seem simple however, you should consult with a tax professional to properly incorporate them into your short and long-term tax planning.

You Must Itemize to Claim a Charitable Tax Deduction

For the 2020 and 2021 tax years, people who took the **standard deduction** could also deduct up to \$300 of cash donations to charity. This deduction was not available to people who claimed itemized deductions on **Schedule A**. Those people could still deduct contributions to charity but under a separate set of rules. However, the \$300 deduction wasn't extended past 2021. As a result, for your 2022 tax return and beyond, only Americans who itemize can write off gifts to charity.

What Kinds of Donations Are Deductible?

People who itemize deductions can generally deduct contributions of cash or property to charitable organizations. If property is donated, your deduction is generally equal to the property's fair market value. If you give property that has increased in value, you may have to reduce the fair market value by the amount of appreciation when calculating the deduction. If the property has decreased in value, your deduction is limited to the current fair market value. For tips on determining the fair market value of donated property, see **IRS Publication 561**.

In addition, itemizers can deduct out-of-pocket expenses paid to do volunteer work for a charitable organization. For example, if you drove to and from volunteer work, you can deduct the actual cost of gas and oil or 14¢ per mile, plus parking and tolls. You can't deduct any amounts that are reimbursed, though.

Requirements and Limitations for Charitable Tax Deductions

There are certain hoops you might have to jump through before you can claim a Schedule A charitable deduction. For instance, for gifts of \$250 or more, you must get a written acknowledgment from the

charity stating (1) the amount of any cash donation and a description (but not value) of any donated property, and (2) whether the charity gave you any goods or services in return for your contribution. If you donate property worth \$500 or more, you have to submit Form 8283 with your return. If you donate a motor vehicle, boat, or airplane worth over \$5,000, you might have to get the property appraised, too. There are other requirements that need to be satisfied, so make sure you read the Schedule A instructions carefully before claiming a charitable deduction.

The amount you can deduct can be limited or reduced, too. For example, if you make a gift and receive a benefit in return – such as food, entertainment, or merchandise – you generally have to subtract the value of the benefit from your deduction. The deduction for cash donations is generally limited to 60% of your federal adjusted gross income (AGI). If you donate property to certain charitable organizations, your deduction might be limited to 50% of your AGI. There's also a 30%-of-AGI limit for capital gain property contributed to certain organizations. If you're denied part of a deduction because of these limits, you may be able to carry the excess amount over and deduct it on a future tax return (carryovers are generally limited to five years). Check the Schedule A instructions and [IRS Publication 526](#) for details and additional limits.

Charities Accepting Tax Deductible Donations

Even though your donation may be used for a good cause, that doesn't necessarily mean that you can deduct it. Only contributions to certain charitable organizations are deductible. For example, if you gave money through a *GoFundMe* page to help a local business that's struggling during the pandemic, you probably can't deduct that donation.

Fortunately, there's an easy way to determine if donations you make to an organization are tax-deductible charitable contributions. The IRS's online "Tax Exempt Organization Search" tool will tell you if an organization is tax-exempt and eligible to receive tax-deductible charitable contributions.

Source: Kiplinger, Tax Breaks. Rocky Mengle, May 19, 2022. <https://www.kiplinger.com/taxes/tax-deductions/601993/charitable-tax-deductions-an-additional-reward-for-the-gift-of-giving>