

# MONEY MANAGEMENT

## Charitable Contributions: When Giving Also Means Receiving

RENO — Charitable contributions are not only good for the soul, they also are good for the tax return. According to the Nevada Society of CPAs, charitable giving is a smart year-end tax move for individuals who itemize on their tax returns. Generally, if you make a contribution to a charity by December 31, 1995, you may deduct the amount on your 1995 tax return and thereby reduce your taxable income.

To claim a deduction for a charitable contribution, you must contribute to a qualified organization. These include: churches, nonprofit schools, hospitals, and volunteer fire companies; veteran groups; and medical research organizations, such as the American Heart Association and the American Cancer Society. Political contributions are nondeductible. Generally, dues for a fraternal lodge, and contributions to

lobbying groups (such as Clean Water Action and the Sierra Club) cannot be claimed as charitable deductions. For a complete listing of qualified charitable organizations, see Internal Revenue Service (IRS) Publication 78, Cumulative List of Organizations.

### Types of Contributions

You needn't limit your charitable contributions to cash. The rules give you the option of making various types of contributions. These can include furniture, clothing, computer and other equipment, and even an old car. When you donate property, the amount of the deduction is generally equal to the current fair-market value of the donated property at the date of the contribution, not its original cost.

### Limits on Contributions

Generally, you can deduct cash contributions equal to 50 percent of your adjusted gross

income (AGI). Any excess can be carried forward for up to five years. Contributions of appreciated capital gain property, such as securities or works of art, are generally limited to 30 percent of AGI.

### Recordkeeping is Critical

For every contribution of \$250 or more, you must have a receipt, letter, or other statement from the charitable organization listing the amount of the cash donation, or, for contributed property, a description—but not necessarily the value—of any property donated. In addition, the receipt must state whether or not the charity provided any goods or services in exchange for the cash or property. Where a charitable organization provides goods or services in exchange for contributions over \$75, the organization must provide the donor with a good-faith estimate of the value of the goods or services provided.

For noncash contributions over \$500, you must complete Form 8283 and attach it to your return. If the noncash contributions exceeds \$5,000 (\$10,000 for gifts of closely held stock), you also may have to obtain and attach a written appraisal. (Additional requirements apply to contributions of art, if you are claiming a deduction of \$20,000 or more). There is no appraisal requirement for publicly traded securities for which a market quota is readily available on an established securities market.

### Deferred Giving

If you typically make large charitable contributions each year, consider establishing a charitable lead trust or a charitable remainder trust. These enable you to reduce your current taxable income and also can help you to minimize estate taxes.

In a charitable lead trust,

property is donated to a trust, creating an income interest in the property to the charitable organization for a certain number of years, or for the life of the individual(s). At the end of the term, the remaining trust assets pass back to the creator of the trust (you), or other designated noncharitable beneficiaries (your heirs).

In a charitable remainder trust, property is transferred to a trust that provides for a specified distribution, at least annually, to one or more beneficiaries (you and your heirs). The distribution may be for life, or a term of years. At the end of the term, the remaining assets pass to a charity.

To learn more about charitable contributions, send a self-addressed, stamped envelope to the Nevada Society of CPAs and request a copy of the brochure, Good News for Good Samaritans.

*Money Management is a weekly column on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants, 5250 Neil Road, Suite 205, Reno, Nevada 89502.*

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