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Charitable Contributions & Out of Pocket Expenses Incurred While Volunteering

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As the end of the year approaches, taxpayers often look for ways to lower their tax liability. One of the most popular and convenient options that taxpayers have is to donate to a charity. Both cash and non-cash contributions made to a qualifying organization are tax deductible. However, what many individuals aren't aware of, is that unreimbursed out-of-pocket expenses incurred while rendering volunteer services to a charitable organization may be considered deductible as a contribution, too. For a cumulative list of qualifying charitable organizations that are registered with the Internal Revenue Service and thus eligible to receive tax deductible contributions and services, click the following link: <http://www.irs.gov/app/pub-78/>.

The IRS is very strict when it comes to rules for substantiating charitable contributions, especially out-of-pocket expenses incurred in connection with volunteer services to a charitable organization. In order to ensure deductibility of a contribution on one's income tax return, the donor must be able to produce a cancelled check, a receipt, or other form of reliable, written record. Any one of these documents will be acceptable only if it includes the donee's name, date of contribution, and the amount of the contribution. For those individual contributions that exceed \$250, the donor must also obtain written acknowledgment from the donee charity. The same concept applies when a taxpayer incurs an unreimbursed expenditure of at least \$250. It is important to note that the taxpayer must obtain written acknowledgment by the time the income tax return is filed or the return's due date, whichever comes first. Be aware that the donor may need to request the written acknowledgment from the charitable organization.

In the past the IRS has denied or limited the deductibility of many charitable contributions and expenses because taxpayers were unable to provide proper documentation and support. Therefore, it is essential to plan ahead and obtain the required documentation. Also, be sure to preserve that documentation until the statute of limitations for the tax return on which the deduction was claimed expires.

For further information on the deductibility of charitable contributions, please contact a member of the Tax Department at Zinner & Co. LLP at (216) 831-0733.