CERITY PARTNERS

Making a $5,000 Noncash Charitable Contribution?

What You Need to Know

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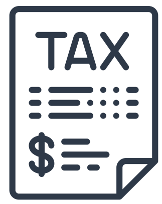

Key Takeaways:

- Noncash charitable contributions of $5,000 or more are subject to special tax-reporting rules.
- You have to determine the fair market value of the donated property and get a qualified appraisal.
- If you don't meet all of the requirements, the IRS may disallow your deduction.
- Cerity Partners' tax specialists understand the rules and can help you comply.

Make a charitable contribution. Get a tax deduction. This process seems pretty straightforward. But in reality, the rules are quite complex depending on the amount and type of donation.

Take for example noncash charitable contributions of $5,000 or more. Many people get tripped up by the fair market value and appraisal requirements, causing them to lose their deductions.

Here are some things to keep in mind, so you don't become one of them.

Retain your original receipts, statements and other supporting documentation

If you make a noncash contribution that's worth over $500, you have to complete Form 8283 to report your donation. In addition to providing details about the transaction, there's also a spot for your cost basis—just like when you're claiming a capital gain or loss. The IRS has been known to disallow deductions where the only thing missing was the cost basis. And not knowing this information isn't a valid excuse.

Understand what your property is worth today

When you make a noncash contribution, you have to determine the fair market value (FMV) of the property. FMV is the money you would have received if you sold the assets instead. It's important to make sure the FMV is reasonable relative to the property you're donating. If the value seems unusually high, the IRS may ask you to substantiate your claim. For that reason, it's a good idea to keep any FMV calculations in your files.

Another potential pitfall? Many people believe they can deduct the FMV in full. In some cases that's true, but in other situations, you may only be eligible for a partial deduction.

Make sure to get a qualified appraisal

In general, any property valued at more than $5,000 has to be appraised, unless you're donating publicly-traded securities. More importantly, it has to be a "qualified" appraisal, or the IRS will likely disallow the deduction. To be qualified, the assessment must:

- Be performed by a qualified appraiser no more than 60 days before the contribution date
- Include a description of the contribution and the contribution date
- State the appraisal was done solely for income-tax purposes

If you miss even one of these elements, it could potentially raise a red flag with the IRS.

Remember you're not alone

We don't believe complex tax rules should stand in the way of philanthropy. Our tax specialists have a deep understanding of the regulations and will work with you to complete all the necessary tax forms and documents. Contact your Cerity Partners advisor to discuss your charitable giving strategy or other tax-planning needs.

Steve Walker leads the Tax Practice at Cerity Partners in the Orange County office and is a member of the Executive Committee. He has more than thirty-five years of experience in tax and accounting, providing comprehensive tax planning, tax compliance and transactional consulting services