



## HOT TOPICS ARTICLE 2013-02: Charitable Contributions – Documentation for Income Tax Deductions

---

Article written by Kell B. Rabern

One item high on the list of IRS audit targets is Charitable Giving. In a recent case a deduction of \$20 million was disallowed entirely, based on inadequate documentation. [Mohamed v. Commissioner]

This article will review the basic requirements. Additional requirements apply in some cases.

### Required documentation....

- For monetary contributions of \$250 or more, a contemporaneous written acknowledgement (receipt) from the charity, indicating the dollar amount.
- For contributions of property of \$250 or more, a contemporaneous written acknowledgement (receipt) from the charity, indicating the description of the property contributed. Estimated dollar value may be indicated, but the charity is not qualified to appraise property and so they usually do not indicate a value.
- The receipt must contain the “quid pro quo” language.  
Specifically, “... **no goods or services were provided to you in return..**”;  
Or, “... **goods or services were provided to you valued at \$\_\_\_\_\_**”.
- The receipt must be contemporaneous, specifically meaning it must be received by you and in your records by the time you file the tax return.
- Noncash (property) donations must further be supported by a “Qualified Appraisal” if \$5,000 or more. This was Mr. Mohamed’s error. His appraisal was not “qualified”. It did not matter that it was reliable and accurate. Quality did not matter. “Qualified” did.

### No grace....

The IRS has no grace for what might seem a minor inadequacy of the documentation. Failure on any requirement results in a disallowed deduction. Therefore, we encourage clients to carefully inspect their receipts. If some required language or information is missing, contact the charity for a replacement receipt. Destroy the prior document to be sure it is not the one offered upon audit.

### BHW preferences....

We are not the police on this. We advise clients and we ask whether they have adequate documentation. However, we typically do not ask to inspect it, unless an appraisal is required.

### Consult before taking action

This article is a general information guide. BHW expects any action to be taken only with appropriate professional consultation specific to your situation.