Record-Keeping for Charitable Deductions

Taxpayers must keep records to prove the amount of cash and noncash contributions they make during the year. While all contributions must be substantiated, contributions of $250 or more require a written receipt from the charity. If you donate property valued at more than $500, additional requirements apply.

Contributions of less than $250. For charitable contributions of less than $250 in cash, you must keep one of the following:

- a cancelled check, credit card receipt, or electronic funds transfer receipt;
- a letter from the charity acknowledging receipt of the contribution and its date and amount; or
- another reliable written record showing the name of the charity and the date and amount of the contribution.

Cash contributions after 2006 are subject to new substantiation requirements. You must have documentation falling in one of the first two categories above – "another reliable written record" is no longer sufficient.

If the contribution was of property rather than cash, you must keep a receipt from the charitable organization showing:

- the contribution date;
- the charity's name;
- the location of the contribution; and
- a detailed description of the property (but not its value).

A receipt isn't required if it's impractical to get one, such as where property is left at the charity's unattended drop site. In that case, for each item of donated property, you must keep reliable written records that contain the above information, plus the value of the property.

Recordkeeping for contributions for which you receive goods or services. If you receive goods or services, such as a dinner or theater tickets, in return for your contribution, your deduction is limited to the excess of what you gave over the value of what you received. For example, if you gave $100 and in return received a dinner worth $30, you can deduct $70. But your contribution is fully deductible if:

- you received free, unordered items from the charity that cost no more than $8.60 in total;
- you gave at least $43.00 and received only token items (bookmarks, key chains, calendars, etc.) that bear the charity's name or logo and cost no more than $8.60 in total; or
- the benefits that you received are worth no more than 2% of your contribution *and* no more than $86.

If you made a contribution of more than $75 for which you received goods or services, the charity must give you a written statement, either when it asks for the donation or when it receives it, that tells you the value of those goods or services. Be sure to keep these statements.

Contributions of $250 or more. For charitable contributions of $250 or more, a cancelled check isn't enough. Instead, you need a written receipt from the charity that includes:

- the amount of cash contributed and a description (but not the value) of any property other than cash contributed;
- whether the donee organization provided any goods or services in return for the contribution; and
- a description and good-faith estimate of the value of those goods or services.

If you received only “intangible religious benefits,” such as attending religious services, in return for your contribution, the receipt must say so. This type of benefit is considered to have no commercial value and so doesn't reduce the charitable deduction available.

If you make separate contributions of less than $250, you won't be subject to the requirement to get a written receipt, even if the sum of the contributions to the same charity total $250 or more in a year. Also, if you have contributions withheld from your wages, the deduction from each payment of wages is treated as a separate contribution for purposes of the $250 threshold.

You must have the receipt in hand by the time you file your return (or by the due date, if earlier) or you won't be able to claim the deduction.

Cash contribution made through payroll deductions. A contribution that you make by withholding from your wages may be substantiated by a pay stub, Form W-2, or other document furnished by your employer that shows the amount withheld for the purpose of a payment to a charity. You can substantiate a single contribution of $250 or more with a pledge card or other document prepared by the charity that includes a statement that it doesn't provide goods or services in return for contributions made by payroll deduction.

Each deduction from the payment of wages is treated as a separate contribution for purposes of the $250 threshold.

Substantiating contributions of services. Although you can't deduct the value of services you perform for a charitable organization, some deductions are permitted for out-of-pocket costs you incur while performing the services. You should keep track of your expenses, the services you performed and when you performed them, and the organization for which you performed the services. Keep receipts, canceled checks, and other reliable written records relating to the services and expenses.

As discussed above, a written receipt is required for contributions of $250 or more. This presents a problem for out-of-pocket expenses incurred in the course of providing charitable services, since the charity doesn't know how much those expenses were. However, you can satisfy the written receipt requirement if you have adequate records to substantiate the amount of your expenditures, and get a statement from the charity that contains a description of the services you provided, the date the services were provided, a statement of whether the organization provided any goods or services in return, and a description and good-faith estimate of the value of those goods or services.

Contributions of property with a value greater than $500. If you contribute property worth more than $500, you must maintain written records that include:

- the information described above for contributions of property over $250;
- how you acquired the property (purchase, gift, inheritance);
- the date you acquired the property; and
- the cost or other basis of property (other than publicly-traded securities) held for less than 12 months before the donation, and, if the information is available, of property held for 12 months or more before the donation.

Clothing and household items donated after August 17, 2006 are subject to new requirements. To be deductible, such items must be in good used condition or better. However, you may claim a deduction for a single clothing or household item valued over $500, regardless of condition, if the value is supported by a qualified appraisal. Household items include furniture, furnishings, electronics, appliances, and linens.

Contributions of property with a value greater than $5,000. If you contribute an item or group of similar items exceeding $5,000, you must keep written records that include:

- the information described above for contributions of property over $500;
- a qualified appraisal made no more than 60 days before the appraised property's contribution;
- the cost basis of the property; and
- the date you acquired the property.

A qualified appraisal isn't required for publicly-traded securities for which market quotations are readily available.