



## WHAT YOU NEED TO KNOW NOW...

### COMPLYING WITH IRS RULES FOR NONCASH CHARITABLE DONATIONS

Each year our clients provide us with information regarding the **non-cash items which they have given to various charitable organizations**. These non-cash donations of clothing, household items and other items are important and meaningful contributions. They serve a dual purpose: they are valued by people who may not be able to otherwise afford them; and they offer donors a charitable tax deduction.



However, **these types of tax deductions have come under intense scrutiny by the IRS for abuse**. Recent U.S. Tax Court cases have affirmed the IRS' position regarding the proper documentation required to substantiate all non-cash donations. **Here's what you need to know to comply with IRS requirements for timely and accurate documentation:**

**Property valued at \$250-\$499.** You, as the taxpayer, must receive and keep the charitable organization's acknowledgement. If more than one donation of over \$250 is made, you must either have a separate acknowledgement for each donation or one acknowledgement that shows all contributions. You must also include the following information:

- 1.) Name and address of the organization;
- 2.) Date and location of the contribution;
- 3.) Detailed description of the property (e.g., woman's slacks; man's dress shirt);
- 4.) Fair Market Value of the property at the time of the donation (talk to us for help here);
- 5.) Original cost you paid for the item(s);
- 6.) Condition of the property donated.

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*Keeping the charity's "door knob tag" does NOT, by itself, satisfy the IRS requirements for timely and accurate documentation.*

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**Property valued at \$500-\$4,999.** Along with the requirements stated above, your records need to state how the property was acquired (purchase, gift, inheritance, etc.), the date you received the property was received, and the property's cost or basis.

**Property valued at more than \$5,000.** In addition to all the above requirements, you must obtain a qualified appraisal of the item. This appraisal is especially important for real estate property and jewelry, art, stamp and coin collections, and other collectibles.

**When donating a used car,** you should ensure that the car's make, model and VIN (Vehicle Identification Number) are clearly identified on the receipt. This VIN is now required when claiming the deduction.

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## CHARITABLE DONATIONS, CONTINUED...

Keeping a charity's "door knob tag/hanger" does NOT, by itself, satisfy the IRS requirements for timely and accurate documentation. Finally, many taxpayers have the perception that these "door knob tab/hangers" are all that is needed to claim the noncash charitable deduction.

Charitable organizations that collect donated noncash items do not assist with the necessary and proper documentation required. Each year, as part of our annual tax packet, we include a worksheet for you to use to record these donations. Please contact us at any time if you need another copy of this form.

## REVIEW AND UPDATE YOUR MOST IMPORTANT DOCUMENTS

Periodically, we like to remind our clients to review, update, and revise, when necessary, your most important documents. These are **Wills, Durable Powers of Attorney, and Health Care Directives**.

**If you die without a Will**, your estate will be required to go through a time consuming and costly probate process. This process does not ensure that your final wishes will be honored or that your loved ones will receive your intended inheritance bequest. It is also important to update/revise your will if your family situation changes through marriage, divorce, the passing of a loved one, or the joyous welcome of a new family member.

**A Durable Power of Attorney** provides your trusted representative/agent with the ability to conduct all the necessary business, legal and financial affairs in accordance with your wishes.

**A Health Care Directive** gives the designated person the authority to make healthcare decisions in case you are incapacitated.

**We suggest that you contact your attorney to assist you with these matters. Please call us if you need a referral.**



**Thank You  
for  
Your Business**

*As always, please do not hesitate to contact us with any questions or concerns you may have about any issues covered in the newsletters or any other issues important to you. Your business continues to be appreciated.*

***We are committed to improving our clients' financial well being.***

Please call us with your tax and financial questions. Steinberg Enterprises provides confidential, convenient services based on over 25 years of practical financial management and tax experience.

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