Charitable Gifts Are Not Always Deductible
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A charitable gift is one of the deductions allowed as an itemized deduction on Schedule A. Taxpayers that have greater itemized deductions than the standard deduction may file Schedule A. The 2009 standard deduction for single taxpayers is $5,700 and $11,400 for married filing jointly. A common question raised in calculating itemized expenses is the deductibility of certain charitable gifts.

Giving financial assistance directly to individuals who are needy or worthy, while the right and good thing to do, are not deductible charitable contributions for tax purposes. Generally, only the following types of organizations qualify as deductible charitable contributions:

1. A community chest, corporation, trust, fund, or foundation organized and operated exclusively for the following purposes:
   a. religious
   b. charitable
   c. educational
   d. scientific
   e. literary
   f. the prevention of cruelty to children or animals
2. War veterans’ organizations
3. Domestic fraternal societies, orders, associations operated under the lodge system.
4. Certain nonprofit cemetery companies or corporations
5. The United States, any state, District of Columbia, a U.S. possession, a political subdivision of a state or U.S. possession, or an Indian tribal government.

Camouflaging a non-qualifying gift by routing the transfer through a qualifying charitable entity, such as a church, does not make the gift deductible. Occasionally checks are made payable to the “XYZ Church” or other charitable organization with a memo notation “for the John Doe family”. The regulation dealing with this issue has a “no variance rule”: all gifts to identified individuals, directly or indirectly, are not tax deductible. This non-deductibility even applies to gifts made to an individual who provides service to a qualifying charitable entity (i.e. clergy or missionaries), if the gifts can be spent as the individual desires, such as for personal expenses.

Additionally the IRS is cracking down undocumented charitable contributions - a new rule is: “no documentation – no deduction”. Flowing from this new documentation rule are 2 very important observations:

1. If you give cash to a charity – it is not deductible, unless you have a receipt.
2. If you make any single charitable contribution greater than $250 – you must have a receipt from the charity (this is true even if you have a cancelled check).