

Tax Deductions For Your 2016 Tax Returns: Charitable Contributions

You should have received your W-2 form from your employer by the end of January and some of you may be starting to prepare your 2016 tax returns now. The tax team at **Lindquist, von Husen & Joyce LLP (LvHJ)** would like to highlight what you should be aware of during your tax preparations and share some tips on what you may be able to claim as tax deductions. In this issue, we will cover **charitable contributions** as an example.

1) What Qualifies As “Charitable Contributions”?

Whether you contributed personally or as a business or a nonprofit organization in 2016, qualified contributions include money or property you give to qualified community-based, religious, education, scientific, literary and other nonprofit organizations or federal/state/local government for the purpose of benefiting the public, and out-of-pocket expenses you incurred while volunteering for a qualified organization.

- Check whether the charitable organization you contributed to is qualified by using **“Exempt Organizations Select Check”** tool on IRS website.

Contributions to individuals cannot be deducted unfortunately.

2) Tax Deduction Best Practices

- **Report your itemized deductions:** To be able to claim a charitable deduction on your return, you need to itemize all deductions.
- **Keep receipts:** You are not required to submit receipt(s) at the time of your tax return filing, but those records will be requested if/when you are audited.

- For cash donations **less than \$250**, a cancelled check, credit card and/or bank statement or a receipt, letter, statement from the qualified charity indicating its name, the contribution date and amount is sufficient as a proof of your deduction.
- If you contributed **more than \$250** in cash or goods in equivalent value, you have to obtain a contemporaneous written acknowledgement from the qualified charity with the following information:
 1. the amount or value of your contribution;
 2. a description and a good-faith estimate of the value of any goods or services received in exchange for the contribution or the fact that you did not receive any goods or services in exchange for the contribution;
 3. and if the qualified charity provides any intangible religious benefits to you.
- For non-cash contributions of similar kind of property that is over \$5,000, an appraisal is required to substantiate the deductible amount.
- All donated non-cash properties need to be in good condition in order to be deductible.

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- **Keep records/documents that show payroll deduction made for charitable contributions:** If you contributed to a charitable organization through your employer, you should pay attention to your payroll deduction and keep your pay stub, W-2 form and/or other documents that indicate the total amount withheld and which charity your employer contributed.
- **Know the limit on deductions based on your filing status:** For 2016 year, please be aware of specific limits as follows:
 - \$155,650: If you are married but filing separately
 - \$259,400: If you are single
 - \$285,350: If you are the head of household
 - \$311,300: If you are married and filing jointly, or if you are a qualified widow(er)
- **Know the limit on deductions based on the types of charity you donated:** In general, you are able to deduct up to 50 percent of your adjusted gross income. However, there are certain types of charitable organizations and transactions where a lower percentage applies.

Click here to learn more details about tax deductions related to charitable contributions for 2016 tax returns.



If you have any questions about charitable contributions or need tips on tax deductions for 2016 return, please contact **Sherman Leong, Tax Manager** at sleong@lvhj.com or 415-905-5432.

[Click here to read more about Sherman Leong.](#)

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