First Unitarian Universalist Church of San Diego

Gift Acceptance Policy and Guidelines

The mission of the First Unitarian Universalist Church of San Diego is to create community, nurture spiritual growth and to act on our values to help heal the world.

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Table of Contents

First Unitarian Universalist Church of San Diego, a not for profit religious organization organized under the laws of the State of California, encourages the solicitation and acceptance of gifts to First Unitarian Universalist Church of San Diego (hereinafter referred to as FUUCSD) for purposes that will help FUUCSD to further and fulfill its mission. The following policies and guidelines govern acceptance of gifts made to FUUCSD or for the benefit of any of its programs.

The mission of FUUCSD is to: Create community, nurture spiritual growth and to act on our values to help heal the world.

Purpose of Policies and Guidelines

FUUCSD volunteers and staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of FUUCSD. It is the purpose of these policies and guidelines to govern the acceptance of gifts by FUUCSD and to provide guidance to prospective donors and their advisors when making gifts to FUUCSD. The provisions of these policies shall apply to all gifts received by FUUCSD for any of its programs or services.

Use of Legal Counsel

FUUCSD shall seek the advice of legal counsel in matters relating to acceptance of gifts where appropriate. Review by counsel is recommended for:

a. Review of closely held stock transfers that are subject to restrictions or buy-sell agreements
b. Review of documents naming FUUCSD as Trustee
c. Review of all gifts involving contracts, such as bargain sales or other documents requiring the Charity to assume an obligation
d. Review of all transactions with potential conflict of interest that many invoke IRS sanctions
e. Other instances in which use of counsel is deemed appropriate by the Gift Acceptance Review Panel

Conflict of Interest

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. FUUCSD will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the Partnership for Philanthropic Planning (formerly known as the National Committee on Planned Giving), shown as an appendix to this document.

Restrictions on Gifts

FUUCSD will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. FUUCSD will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the bylaws or articles of incorporation, gifts that are too difficult to administer, or gifts that are for purposes outside the mission or ends of FUUCSD. The Gift Acceptance Review Panel of FUUCSD shall make all final decisions on the restrictive nature of a gift, and its acceptance or refusal. FUUCSD will not accept gifts that violate the terms of the bylaws or articles of incorporation, gifts that are deemed by the Director of Operations to be too difficult to administer, or gifts that are for purposes outside the mission or ends of FUUCSD. The Gift Acceptance Review Panel of FUUCSD shall make all final decisions on the restrictive nature of a gift, and its acceptance or refusal.

The Gift Acceptance Review Panel (GARP)

The GARP shall consist of the currently operating Exec Team of the FUUCSD, usually consisting of:

- The Lead Minister of FUUCSD
- The Associate Minister of FUUCSD
- The Director of Operations
- The Intern Minister of FUUCSD
- The current lay leader as appointed by the Lead Minister

The GARP is charged with the responsibility of reviewing all gifts made to FUUCSD that require special attention, per this policy, properly screening and accepting those gifts, and making recommendations on gift acceptance issues where appropriate. The GARP may also undertake special projects at the direction of the Lead Minister or Director of Operations.

Types of Gifts

The following gifts are acceptable:

a. Cash
b. Tangible Personal Property
c. Securities
d. Real Estate
e. Remainder Interests in Property
f. Oil, Gas, and Mineral Interests
g. Bargain Sales
h. Life Insurance
i. Charitable Gift Annuities
j. Charitable Remainder Trusts
k. Charitable Lead Trusts
l. Retirement Plan Beneficiary Designations
m. Bequests
n. Life Insurance Beneficiary Designations

The following criteria govern the acceptance of each gift form:

a. Cash: Cash is acceptable in any form. Checks shall be made payable to FUUCSD and shall be delivered to FUUCSD's administrative offices.

b. Tangible Personal Property: All gifts of tangible personal property shall be examined in light of the following criteria;
   - Does the property fulfill the mission of FUUCSD?
   - Is the property marketable?
   - Are there any undue restrictions on the use, display, or sale of the property?
   - Are there any carrying costs for the property?
   - Unrelated Use. If the property will not be retained for use by the Charity, the gift officer must determine, prior to recommending the gift for approval by the Vice President, Development, a plan for selling the property for cash, including the anticipated time frame and marketing expense for the proposed sale.

The GARP shall make the final determination on the acceptance of other tangible property gifts.

c. Securities: FUUCSD can accept both publicly traded securities and closely held securities.

   - Publicly Traded Securities: Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt. In some cases applicable securities laws may restrict marketable securities; in such instance the GARP shall make the final determination on the acceptance of the restricted securities.

   - Closely Held Securities: Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLPs and LLCs or other ownership forms, can be accepted subject to the approval of the GARP. However, gifts must be reviewed prior to acceptance to determine that:

     - There are no restrictions on the security that would prevent FUUCSD from ultimately converting those assets to cash
     - The security is marketable
     - The security will not generate any undesirable tax consequences for FUUCSD.

   If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The GARP and legal counsel shall make the final determination on the acceptance of the closely held securities where necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

d. Real Estate: Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, FUUCSD shall require an initial environmental review of the property to insure that the property is not contaminated with environmental damage. Environmental inspection forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, FUUCSD shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

   Where appropriate, a title binder shall be obtained by FUUCSD prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

   Prior to acceptance of the real property, the gift shall be approved by the GARP and by FUUCSD's legal counsel. Criteria for acceptance of the property shall include:

   - Is the property useful for the purposes of FUUCSD?
   - Is the property marketable?
   - Are there any restrictions, reservations, easements, or other limitations associated with the property?
   - Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
   - Does the environmental audit reflect that the property is not damaged?

   The congregation retains exclusive authority, per Article V of the bylaws, to "buy or sell any interest in real estate" and to "mortgage, encumber, or commit any asset owned by the Congregation." Therefore, the congregation would have to approve the acceptance of any gift of real estate if it came with mortgages or encumbrances. Likewise, should the executive choose to sell of the property after receipt, the congregation would have to approve such a sale.

e. Remainder Interests in Property: FUUCSD will accept a remainder interest in a personal residence, farm, or vacation home subject to the provisions of the above paragraph on real estate. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, FUUCSD may use the property or reduce it to cash. Where FUUCSD receives a gift of the remainder interest, expenses for maintenance, real estate taxes and any property indebtedness are to be paid by the donor or primary beneficiary.

   The congregation retains exclusive authority, per Article V of the bylaws, to "mortgage, encumber, or commit any asset owned by the Congregation." Therefore, the congregation would have to approve the acceptance of any remainder interest in real estate.

f. Oil, Gas, and Mineral Interest: FUUCSD may accept oil and gas property interests, where appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the GARP, and if necessary, by legal counsel. Criteria for acceptance of the property shall include:

   - Gifts of surface rights should have a value of $20,000 or greater.

- Gifts of oil, gas and mineral interests should generate at least $3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
- The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate.
- If the interest is a working interest, the organization should determine the impact on FUUCSD so that it may develop a plan to minimize that impact if accepted.
- The property should undergo an environmental review to ensure that FUUCSD has no current or potential exposure to environmental liability.

g. Bargain Sales: FUUCSD will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of FUUCSD. All bargain sales must be reviewed and approved by the GARP. Factors used in determining the appropriateness of the transaction include:
   - FUUCSD must obtain an independent appraisal substantiating the value of the property.
   - If FUUCSD assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
   - FUUCSD must determine that it will use the property, or that there is a market for sale of the property, allowing sale within 12 months of receipt.
   - FUUCSD must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

h. Life Insurance: FUUCSD must be named as owner (and beneficiary) of an insurance policy before a life insurance policy can be recorded as a current and outright gift. Insurance policies are valued at the interpolated terminal reserve value if ongoing premiums are required. However, the donor's deduction is based on the lesser of the policy's fair market value or cost basis. (Policies that are contractually paid-up are rare and have different valuation and deduction amounts.) If the donor contributes future premium payments, FUUCSD will designate the additional premium payment as a gift in the year that it is made.

   If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, FUUCSD may:
   - Continue to pay the premiums
   - Convert the policy to fully paid up life insurance
   - Surrender the policy for its current surrender cash value

i. Charitable Gift Annuities: FUUCSD may offer charitable gift annuities. The minimum gift for funding shall be $50,000. The GARP may make exceptions to this minimum. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries can be permitted for any gift annuity.

   Annuity payments may be made on a quarterly, semi-annual, or annual schedule. The GARP may approve exceptions to this payment schedule.

FUUCSD will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. FUUCSD may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a 5-year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the GARP approves the arrangement.

Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to such specific fund as designated by the donor (or, in the absence of a donor designation, the funds shall be handled according to the church's policy for unrestricted bequests).

j. Charitable Remainder Trusts: FUUCSD may accept a designation as remainder beneficiary of the charitable remainder trust. FUUCSD will not accept appointment as Trustee of a charitable remainder trust.

k. Charitable Lead Trusts: FUUCSD may accept a designation as income beneficiary of a charitable lead trust. FUUCSD will not accept an appointment as Trustee of a charitable lead trust.

l. Retirement Plan Beneficiary Designation: Donors and supporters of FUUCSD shall be encouraged to name FUUCSD as beneficiary of their retirement plans. Such designations shall not be recorded as gifts to FUUCSD until such time as the gift is irrevocable. Where the gift is irrevocable (i.e., upon death), but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

m. Bequests: Donors and supporters of FUUCSD shall be encouraged to make bequests to FUUCSD under their wills and trusts. Such bequests shall not be recorded as gifts to FUUCSD until such time as the gift is irrevocable (i.e., upon death). Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

n. Life Insurance Beneficiary Designations: Donors and supporters of FUUCSD shall be encouraged to name FUUCSD as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as current gifts to FUUCSD until such time as the gift is irrevocable (i.e., upon death). Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

Miscellaneous Provisions

a. Securing appraisals and legal fees for gifts to FUUCSD: It shall be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to FUUCSD. FUUCSD cannot pay for, or provide funds for, the costs of an appraisal or legal fees.

b. Valuation of gifts for development purposes: FUUCSD shall record a gift received by FUUCSD at its valuation for gift purposes on the date of gift.

c. Responsibility for IRS Filings upon sale of gift items: The Director of Operations is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within three years of receipt by FUUCSD where the charitable deduction value of the item was $5,000 or greater. FUUCSD must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with Filing Instructions is attached as an appendix to these policies.

d. Acknowledgement of gifts made to FUUCSD and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility the Director of Operations. IRS Publication 561 Determining the Value of Donated Property and IRS Publication 526 Charitable Contributions are attached to these policies as an Appendix.

e. Once a gift is given/donated to FUUCSD, it is the property of FUUCSD and its use and/or disposition is at the sole discretion of FUUCSD.

The Donor acknowledges below that he/she/they have read the foregoing Gift Policy and Appendixes as of the dates specified below.

"FUUCSD"

FIRST UNITARIAN UNIVERSALIST CHURCH
OF SAN DIEGO, a California religious corporation

By: _____ Date:_____
Robie Evans, Director of Operations

"DONOR"

By: _____ Date:_____

By: _____ Date:_____

APPENDIX

Model Standards of Practice for the Charitable Gift Planner promulgated by the Partnership for Philanthropic Planning

Best Practices: Model Documents
This model is provided for quick reference, to assist planners in auditing their current documents and planning for revision and enhancement. For more information about gift acceptance policies and procedures, refer to:
Newman, David Wheeler, "Effective Gift Acceptance Policies and Procedures," *The Journal of Gift Planning*, vol. 13, no. 2, 2nd quarter 2009.

As noted by the author, one size does not fit all, and we encourage planners to revise this model to reflect organizational priorities, past experience and culture.

Gift Acceptance Policy: ABC Charity
David Wheeler Newman

II. Purpose

The purpose of this statement is to articulate the policies of the Board of Directors of ABC Charity (the "Charity") concerning the acceptance of charitable gifts to the Charity. The Development Committee will adopt appropriate procedures to implement these policies.

III. Responsibility to Donors

- **General. The Charity, its staff and representatives shall endeavor to assist donors in accomplishing their philanthropic objectives in providing support for the Charity.**

- **Confidentiality. Information concerning all transactions between a donor and the Charity shall be held by the Charity in strict confidence and may be publicly disclosed only with the permission of the donor.**

- **Anonymity. The Charity shall respect the wishes of donors wishing to support the Charity anonymously and will take reasonable steps to safeguard those donors' identity.**

- **Disclaimer. Each prospective donor to the Charity shall be informed that the Charity does not provide legal, tax or financial advice, and shall be encouraged to discuss all charitable gift planning decisions with his or her legal, financial or tax advisor before entering into any commitment to make a gift to the Charity.**

IV. Gift Restrictions

- Unrestricted Gifts. To provide the Charity with maximum flexibility in the pursuit of its mission, donors shall always be encouraged to make unrestricted gifts to the Charity.

- Budgeted Programs or Facilities. The Charity may accept a gift that is restricted as to its use if the Charity's approved budget for the year in which the gift is to be accepted includes proposed funding for the specific program, purpose or facility for which the restricted gift is made.

- Other Restrictions. The Charity may accept a gift that is restricted as to a use if the Charity's budget for the year in which the gift is accepted does not include funding for the restricted use of the gift, with the prior written approval of the Vice President, Development.

- Variance Power. Unless otherwise approved in advance by the Vice President, Development, the Charity will reserve the right, in the document that restricts the use of the gift, to broaden or alter the purpose of the gift should it be determined in the future that the original purpose of the gift no longer meets the needs or serves the mission of the Charity.

V. Donor Recognition

- General. The Board of Directors, upon recommendation of its Development Committee, may establish criteria for the recognition and honoring of a donor with certain honors or benefits based on various giving levels achieved by a donor and the type of gift. These honors or benefits may include the listing of the donor's name on a roll or plaque of significant donors or the opportunity to receive invitations to donor recognition events.

- Buildings and Other Facilities. Except in the case of naming opportunities that appear on a schedule of naming opportunities approved by the Board of Directors in the context of a capital campaign, the development staff of the Charity shall make no commitments to a donor concerning the naming of buildings or other facilities without the approval of the Board of Directors upon recommendation of the Vice President, Development.

VI. Fiduciary Relationships

- General. Unless approved in advance by the Chief Financial Officer of the Charity, the Charity will not agree to serve as executor of a decedent's estate or as trustee of a living trust or other trust intended to serve as a person's primary estate planning document.

- Trusteeship. The Charity may serve as trustee of trusts to maintain its gift annuity reserve accounts, as required by relevant state insurance law, in connection with the

Charity's gift annuity program. The Charity may serve as trustee of charitable remainder trusts, provided that no less than 50% of the remainder interest in the trust is irrevocably dedicated to the Charity, and the charitable remainder trusts meet the minimum standards established from time to time by the gift planning procedures of the Charity. The Charity may serve as trustee of trusts only in circumstances in which its investment authority as trustee is unrestricted. The Charity will not serve as co-trustee of a trust.

VII. Commitment of Charity Assets

- **Bargain Sale. Commitment of funds of the Charity in a bargain sale transaction to acquire assets from a donor shall require the prior written approval of the Chief Financial Officer and the Vice President, Development. Such approval shall generally be restricted to situations in which the asset to be acquired is one that will be used by the Charity in its program or that can be readily disposed of for cash within a reasonable time.**

- **Gift Annuities. The Charity shall issue charitable gift annuities to donors, in exchange for their contributions, using annuity rates published by the American Council on Gift Annuities.**

- **Partnership and Other Liabilities. The Charity will not accept interests in partnerships or other investment entities exposing the Charity to liability, including the obligation to provide capital contributions or other funding for the investment, without adequate indemnity from the donor to fulfill those obligations.**

- **Real Estate. While the Charity encourages gifts of real estate, potential liability of the Charity arising from real estate should be minimized pursuant to procedures to be adopted by the Development Committee.**

VIII. Reporting and Valuation Standards

- **Reporting. For campaign and other reporting purposes, the Charity shall use the National Committee on Planned Giving Guidelines for Reporting and Counting Gifts (www.ncpg.org).**

- **Valuation of Planned Gifts. To evaluate the Charity's planned giving program and to compare the relative value of various planned gift approaches, the Charity shall utilize the National Committee on Planned Giving Valuation Standards for Charitable Planned Gifts.**

IX. Ethical Standards

The Charity is committed to the highest ethical standards. Development staff at all levels of the organization shall adhere to the Model Standards of Practice for the Charitable Gift Planner adopted by the American Council on Gift Annuities and the National Committee on Planned Giving.

X. Delegation

- **<u>Staff</u>. Implementation of these policies is delegated to the Vice President, Development, of the Charity, who shall be responsible for oversight of the acceptance of all gifts by the Charity.**

- **<u>Development Committee</u>. The Board of Directors shall delegate to its Development Committee the responsibility of approving Gift Planning and Acceptance Procedures to implement these policies. The Vice President, Development, who shall be an *ex officio* member of that committee, may from time to time propose to the committee revisions to the procedures.**

XI. Approval of Exceptions

Acceptance of gifts to the Charity in a manner that is in any way inconsistent with this statement of policy must be approved in writing by the Vice President, Development, who shall report such exceptions to the Board of Directors at its next regular meeting.

XII. Periodic Review

- **<u>General</u>. A committee of the Board of Directors, and of which the Vice President, Development, shall be a member, shall periodically (but no less frequently than every five years) review these policies to ensure that they continue to accurately describe the policies of the Charity with respect to acceptance of charitable gifts, and shall propose to the full Board of Directors for adoption those revisions that the Committee shall determine to be necessary or appropriate in order for the Statement of Policy to accurately reflect the policies of the Charity.**

- **<u>Specified Review</u>. These policies shall be reviewed and ratified by the Board of Directors each time the Board determines that the Charity will embark on a capital or other fundraising campaign. These policies shall also be reviewed upon the enactment or promulgation of legislation or regulatory rules affecting fundraising and gift acceptance by the Charity, to assure continued compliance by the Charity with relevant legislation and rules.**

Department of the Treasury

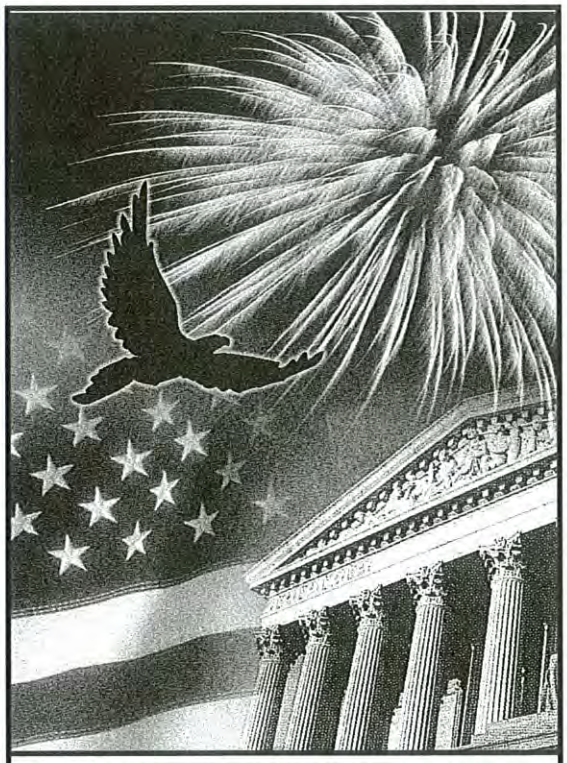
Internal Revenue Service

Publication 526
Cat. No. 15050A

Charitable Contributions

For use in preparing

2012 Returns



Get forms and other Information faster and easier by:
Internet IRS.gov

Contents

Future Developments

For the latest information about developments related to Publication 526 (such as legislation enacted after we release it), go to *www.irs.gov/pub526*.

Reminders

Disaster relief. You can deduct contributions for flood relief, hurricane relief, or other disaster relief to a qualified organization (defined under *Organizations That Qualify To Receive Deductible Contributions*). However, you cannot deduct contributions earmarked for relief of a particular individual or family.

Publication 3833, Disaster Relief: Providing Assistance through Charitable Organizations, has more information about disaster relief, including how to establish a new charitable organization. You can also find more information on IRS.gov. Enter "disaster relief" in the search box.

Photographs of missing children. The IRS is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication explains how to claim a deduction for your charitable contributions. It discusses the types of organizations to which you can make deductible charitable contributions

Jan 18, 2013

and the types of contributions you can deduct. It also discusses how much you can deduct, what records you must keep, and how to report charitable contributions.

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value.

Qualified organizations. Qualified organizations include nonprofit groups that are religious, charitable, educational, scientific, or literary in purpose, or that work to prevent cruelty to children or animals. You will find descriptions of these organizations under *Organizations That Qualify To Receive Deductible Contributions*.

Form 1040 required. To deduct a charitable contribution, you must file Form 1040 and itemize deductions on Schedule A (Form 1040). The amount of your deduction may be limited if certain rules and limits explained in this publication apply to you.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual and Specialty Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov*. Please put "Publications Comment" on the subject line. You can also send us comments from *www.irs.gov/formspubs*. Select "Comment on Tax Forms and Publications" under "More Information."

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit *www.irs.gov/formspubs* to download forms and publications, call 1-800-TAX-FORM (1-800-829-3676), or write to the address below and receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Tax questions. If you have a tax question, check the information available on IRS.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

- ❑ **561** Determining the Value of Donated Property

Form (and Instructions)

- ❑ **Schedule A (Form 1040)** Itemized Deductions
- ❑ **8283** Noncash Charitable Contributions

See *How To Get Tax Help* near the end of this publication for information about getting these publications and forms.

Table 1. **Examples of Charitable Contributions—A Quick Check**

Use the following lists for a quick check of whether you can deduct a contribution. See the rest of this publication for more information and additional rules and limits that may apply.

Deductible As Charitable Contributions	Not Deductible As Charitable Contributions
Money or property you give to: • Churches, synagogues, temples, mosques, and other religious organizations • Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt or maintain a public park) • Nonprofit schools and hospitals • The Salvation Army, American Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts of America, Girl Scouts of America, Boys and Girls Clubs of America, etc. • War veterans' groups	Money or property you give to: • Civic leagues, social and sports clubs, labor unions, and chambers of commerce • Foreign organizations (except certain Canadian, Israeli, and Mexican charities) • Groups that are run for personal profit • Groups whose purpose is to lobby for law changes • Homeowners' associations • Individuals • Political groups or candidates for public office
Expenses paid for a student living with you, sponsored by a qualified organization	Cost of raffle, bingo, or lottery tickets
Out-of-pocket expenses when you serve a qualified organization as a volunteer	Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups
	Tuition
	Value of your time or services
	Value of blood given to a blood bank

Organizations That Qualify To Receive Deductible Contributions

You can deduct your contributions only if you make them to a qualified organization. Most organizations, other than churches and governments, must apply to the IRS to become a qualified organization.

How to check whether an organization can receive deductible charitable contributions. You can ask any organization whether it is a qualified organization, and most will be able to tell you. Or go to IRS.gov. Click on "Tools" and then on "Exempt Organizations Select Check" (*www.irs.gov/charities*). This online tool will enable you to search for qualified organizations. You can also call the IRS to find out if an organization is qualified. Call **1-877-829-5500**. People who are deaf, hard of hearing, or have a speech disability and who have access to TTY/TDD equipment can call **1-800-829-4059**. Deaf or hard of hearing individuals can also contact the IRS through relay services such as the Federal Relay Service at *www.gsa.gov/fedrelay*.

Types of Qualified Organizations

Generally, only the following types of organizations can be qualified organizations.

1. A community chest, corporation, trust, fund, or foundation organized or created in or under the laws of the United States, any state, the District of Columbia, or any possession of the United States (including Puerto Rico). It must, however, be organized and operated only for charitable, religious, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Certain organizations that foster national or international amateur sports competition also qualify.
2. War veterans' organizations, including posts, auxiliaries, trusts, or foundations, organized in the United States or any of its possessions (including Puerto Rico).
3. Domestic fraternal societies, orders, and associations operating under the lodge system. (Your contribution to this type of organization is deductible only if it is to be used solely for charitable, religious,

scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.)

4. Certain nonprofit cemetery companies or corporations. (Your contribution to this type of organization is not deductible if it can be used for the care of a specific lot or mausoleum crypt.)
5. The United States or any state, the District of Columbia, a U.S. possession (including Puerto Rico), a political subdivision of a state or U.S. possession, or an Indian tribal government or any of its subdivisions that perform substantial government functions. (Your contribution to this type of organization is deductible only if it is to be used solely for public purposes.)

   Example 1. You contribute cash to your city's police department to be used as a reward for information about a crime. The city police department is a qualified organization, and your contribution is for a public purpose. You can deduct your contribution.

   Example 2. You make a voluntary contribution to the social security trust fund, not earmarked for a specific account. Because the trust fund is part of the U.S. Government, you contributed to a qualified organization. You can deduct your contribution.

Examples. The following list gives some examples of qualified organizations.

- Churches, a convention or association of churches, temples, synagogues, mosques, and other religious organizations.
- Most nonprofit charitable organizations such as the American Red Cross and the United Way.
- Most nonprofit educational organizations, including the Boy (and Girl) Scouts of America, colleges, and museums. This also includes nonprofit daycare centers that provide childcare to the general public if substantially all the childcare is provided to enable parents and guardians to be gainfully employed. However, if your contribution is a substitute for tuition or other enrollment fee, it is not deductible as a charitable contribution, as explained later under *Contributions You Cannot Deduct*.
- Nonprofit hospitals and medical research organizations.
- Utility company emergency energy programs, if the utility company is an agent for a charitable organization that assists individuals with emergency energy needs.
- Nonprofit volunteer fire companies.
- Nonprofit organizations that develop and maintain public parks and recreation facilities.
- Civil defense organizations.

Canadian charities. You may be able to deduct contributions to certain Canadian charitable organizations covered under an income tax treaty with Canada. To deduct your contribution to a Canadian charity, you generally must have income from sources in Canada. See Publication 597, Information on the United States-Canada Income Tax Treaty, for information on how to figure your deduction.

Mexican charities. Under the U.S.-Mexico income tax treaty, a contribution to a Mexican charitable organization may be deductible, but only if and to the extent the contribution would have been treated as a charitable contribution to a public charity created or organized under U.S. law. To deduct your contribution to a Mexican charity, you must have income from sources in Mexico. The limits described in *Limits on Deductions*, later, apply and are figured using your income from Mexican sources.

Israeli charities. Under the U.S.-Israel income tax treaty, a contribution to an Israeli charitable organization is deductible if and to the extent the contribution would have been treated as a charitable contribution if the organization had been created or organized under U.S. law. To deduct your contribution to an Israeli charity, you must have income from sources in Israel. The limits described in *Limits on Deductions*, later, apply. The deduction is also limited to 25% of your adjusted gross income from Israeli sources.

Contributions You Can Deduct

Generally, you can deduct contributions of money or property you make to, or for the use of, a qualified organization. A contribution is "for the use of" a qualified organization when it is held in a legally enforceable trust for the qualified organization or in a similar legal arrangement.

The contributions must be made to a qualified organization and not set aside for use by a specific person.

If you give property to a qualified organization, you generally can deduct the fair market value of the property at the time of the contribution. See *Contributions of Property*, later.

Your deduction for charitable contributions generally cannot be more than 50% of your adjusted gross income (AGI), but in some cases 20% and 30% limits may apply. See *Limits on Deductions*, later.

Table 1 in this publication gives examples of contributions you can and cannot deduct.

Contributions From Which You Benefit

If you receive a benefit as a result of making a contribution to a qualified organization, you can deduct only the amount of your contribution that is more than the value of the benefit you receive. Also see *Contributions From Which You Benefit* under *Contributions You Cannot Deduct*, later.

If you pay more than fair market value to a qualified organization for goods or services, the excess may be a charitable contribution. For the excess amount to qualify, you must pay it with the intent to make a charitable contribution.

Example 1. You pay $65 for a ticket to a dinner-dance at a church. Your entire $65 payment goes to the church. The ticket to the dinner-dance has a fair market value of $25. When you buy your ticket, you know its value is less than your payment. To figure the amount of your charitable contribution, subtract the value of the benefit you receive ($25) from your total payment ($65). You can deduct $40 as a charitable contribution to the church.

Example 2. At a fundraising auction conducted by a charity, you pay $600 for a week's stay at a beach house. The amount you pay is no more than the fair rental value. You have not made a deductible charitable contribution.

Athletic events. If you make a payment to, or for the benefit of, a college or university and, as a result, you receive the right to buy tickets to an athletic event in the athletic stadium of the college or university, you can deduct 80% of the payment as a charitable contribution.

If any part of your payment is for tickets (rather than the right to buy tickets), that part is not deductible. Subtract the price of the tickets from your payment. You can deduct 80% of the remaining amount as a charitable contribution.

Example 1. You pay $300 a year for membership in an athletic scholarship program maintained by a university. The only benefit of membership is that you have the right to buy one season ticket for a seat in a designated area of the stadium at the university's home football games. You can deduct $240 (80% of $300) as a charitable contribution.

Example 2. The facts are the same as in *Example 1* except your $300 payment includes the purchase of one season ticket for the stated ticket price of $120. You must subtract the usual price of a ticket ($120) from your $300 payment. The result is $180. Your deductible charitable contribution is $144 (80% of $180).

Charity benefit events. If you pay a qualified organization more than fair market value for the right to attend a charity ball, banquet, show, sporting event, or other benefit event, you can deduct only the amount that is more than the value of the privileges or other benefits you receive.

If there is an established charge for the event, that charge is the value of your benefit. If there is no established charge, the reasonable value of the right to attend the event is the value of your benefit. Whether you use the tickets or other privileges has no effect on the amount you can deduct. However, if you return the ticket to the qualified organization for resale, you can deduct the entire amount you paid for the ticket.

CAUTION *Even if the ticket or other evidence of payment indicates that the payment is a "contribution," this does not mean you can deduct the entire amount. If the ticket shows the price of admission and the amount of the contribution, you can deduct the contribution amount.*

Example. You pay $40 to see a special showing of a movie for the benefit of a qualified organization. Printed on the ticket is "Contribution–$40." If the regular price for the movie is $8, your contribution is $32 ($40 payment – $8 regular price).

Membership fees or dues. You may be able to deduct membership fees or dues you pay to a qualified organization. However, you can deduct only the amount that is more than the value of the benefits you receive.

You cannot deduct dues, fees, or assessments paid to country clubs and other social organizations. They are not qualified organizations.

Certain membership benefits can be disregarded. Both you and the organization can disregard the following membership benefits if you get them in return for an annual payment of $75 or less.

1. Any rights or privileges, other than those discussed under *Athletic events*, earlier, that you can use frequently while you are a member, such as:
   a. Free or discounted admission to the organization's facilities or events,
   b. Free or discounted parking,
   c. Preferred access to goods or services, and
   d. Discounts on the purchase of goods and services.
2. Admission, while you are a member, to events open only to members of the organization if the organization reasonably projects that the cost per person (excluding any allocated overhead) is not more than $9.90.

Token items. You do not have to reduce your contribution by the value of any benefit you receive if both of the following are true.

1. You receive only a small item or other benefit of token value.
2. The qualified organization correctly determines that the value of the item or benefit you received is not substantial and informs you that you can deduct your payment in full.

The organization determines whether the value of an item or benefit is substantial by using Revenue Procedures 90-12 and 92-49 and the inflation adjustment in Revenue Procedure 2011-52.

Written statement. A qualified organization must give you a written statement if you make a payment of more than $75 that is partly a contribution and partly for goods or services. The statement must say you can deduct only the amount of your payment that is more than the value of the goods or services you received. It must also give you a good faith estimate of the value of those goods or services.

The organization can give you the statement either when it solicits or when it receives the payment from you.

Exception. An organization will not have to give you this statement if one of the following is true.

1. The organization is:
   a. A governmental organization described in (5) under *Types of Qualified Organizations*, earlier, or
   b. An organization formed only for religious purposes, and the only benefit you receive is an intangible religious benefit (such as admission to a religious ceremony) that generally is not sold in commercial transactions outside the donative context.
2. You receive only items whose value is not substantial as described under *Token items*, earlier.
3. You receive only membership benefits that can be disregarded, as described under *Membership fees or dues*, earlier.

Expenses Paid for Student Living With You

You may be able to deduct some expenses of having a student live with you. You can deduct qualifying expenses for a foreign or American student who:

1. Lives in your home under a written agreement between you and a qualified organization (defined later) as part of a program of the organization to provide educational opportunities for the student,
2. Is not your relative (defined later) or dependent (also defined later), and
3. Is a full-time student in the twelfth or any lower grade at a school in the United States.

TIP *You can deduct up to $50 a month for each full calendar month the student lives with you. Any month when conditions (1) through (3) above are met for 15 or more days counts as a full month.*

Qualified organization. For these purposes, a qualified organization can be any of the organizations described earlier under *Types of Qualified Organizations*, except those in (4) and (5). For example, if you are providing a home for a student as part of a state or local government program, you cannot deduct your expenses as charitable contributions. But see *Foster parents* under *Out-of-Pocket Expenses in Giving Services*, below, if you provide the home as a foster parent.

Relative. The term "relative" means any of the following persons.

- Your child, stepchild, foster child, or a descendant of any of them (for example, your grandchild). A legally adopted child is considered your child.
- Your brother, sister, half brother, half sister, stepbrother, or stepsister.
- Your father, mother, grandparent, or other direct ancestor.
- Your stepfather or stepmother.
- A son or daughter of your brother or sister.
- A brother or sister of your father or mother.
- Your son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

Dependent. For this purpose, the term "dependent" means:

1. A person you can claim as a dependent, or
2. A person you could have claimed as a dependent except that:
   a. He or she received gross income of $3,800 or more,
   b. He or she filed a joint return, or
   c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2012 return.

TIP *Foreign students brought to this country under a qualified international education exchange program and placed in American homes for a temporary period generally are not U.S. residents and cannot be claimed as dependents.*

Qualifying expenses. You may be able to deduct the cost of books, tuition, food, clothing, transportation, medical and dental care, entertainment, and other amounts you actually spend for the well-being of the student.

Expenses that do not qualify. You cannot deduct depreciation on your home, the fair market value of lodging, and similar items not considered amounts actually spent by you. Nor can you deduct general household expenses, such as taxes, insurance, and repairs.

Reimbursed expenses. In most cases, you cannot claim a charitable contribution deduction if you are compensated or reimbursed for any part of the costs of having a student live with you. However, you may be able to claim a charitable contribution deduction for the unreimbursed portion of your expenses if you are reimbursed only for an extraordinary or one-time item, such as a hospital bill or vacation trip, you paid in advance at the request of the student's parents or the sponsoring organization.

Mutual exchange program. You cannot deduct the costs of a foreign student living in your home under a mutual exchange program through which your child will live with a family in a foreign country.

Reporting expenses. For a list of what you must file with your return if you deduct expenses for a student living with you, see *Reporting expenses for student living with you* under *How To Report*, later.

Out-of-Pocket Expenses in Giving Services

Although you cannot deduct the value of your services given to a qualified organization, you may be able to deduct some amounts you pay in giving services to a qualified organization. The amounts must be:

- Unreimbursed,
- Directly connected with the services,
- Expenses you had only because of the services you gave, and
- Not personal, living, or family expenses.

Table 2. **Volunteers' Questions and Answers**

If you volunteer for a qualified organization, the following questions and answers may apply to you. All of the rules explained in this publication also apply. See, in particular, *Out-of-Pocket Expenses in Giving Services*.

Question	Answer
I volunteer 6 hours a week in the office of a qualified organization. The receptionist is paid $10 an hour for the same work. Can I deduct $60 a week for my time?	No, you cannot deduct the value of your time or services.
The office is 30 miles from my home. Can I deduct any of my car expenses for these trips?	Yes, you can deduct the costs of gas and oil that are directly related to getting to and from the place where you volunteer. If you do not want to figure your actual costs, you can deduct 14 cents for each mile.
I volunteer as a Red Cross nurse's aide at a hospital. Can I deduct the cost of the uniforms I must wear?	Yes, you can deduct the cost of buying and cleaning your uniforms if the hospital is a qualified organization, the uniforms are not suitable for everyday use, and you must wear them when volunteering.
I pay a babysitter to watch my children while I volunteer for a qualified organization. Can I deduct these costs?	No, you cannot deduct payments for childcare expenses as a charitable contribution, even if you would be unable to volunteer without childcare. (If you have childcare expenses so you can work for pay, see Publication 503, Child and Dependent Care Expenses.)

Table 2 contains questions and answers that apply to some individuals who volunteer their services.

Underprivileged youths selected by charity. You can deduct reasonable unreimbursed out-of-pocket expenses you pay to allow underprivileged youths to attend athletic events, movies, or dinners. The youths must be selected by a charitable organization whose goal is to reduce juvenile delinquency. Your own similar expenses in accompanying the youths are not deductible.

Conventions. If a qualified organization selects you to attend a convention as its representative, you can deduct your unreimbursed expenses for travel, including reasonable amounts for meals and lodging, while away from home overnight for the convention. However, see *Travel*, later.

You cannot deduct personal expenses for sightseeing, fishing parties, theater tickets, or nightclubs. You also cannot deduct travel, meals and lodging, and other expenses for your spouse or children.

You cannot deduct your travel expenses in attending a church convention if you go only as a member of your church rather than as a chosen representative. You can, however, deduct unreimbursed expenses that are directly connected with giving services for your church during the convention.

Uniforms. You can deduct the cost and upkeep of uniforms that are not suitable for everyday use and that you must wear while performing donated services for a charitable organization.

Foster parents. You may be able to deduct as a charitable contribution some of the costs of being a foster parent (foster care provider) if you have no profit motive in providing the foster care and are not, in fact, making a profit. A qualified organization must select the individuals you take into your home for foster care.

You can deduct expenses that meet both of the following requirements.

1. They are unreimbursed out-of-pocket expenses to feed, clothe, and care for the foster child.
2. They are incurred primarily to benefit the qualified organization.

Unreimbursed expenses that you cannot deduct as charitable contributions may be considered support provided by you in determining whether you can claim the foster child as a dependent. For details, see Publication 501, Exemptions, Standard Deduction, and Filing Information.

Example. You cared for a foster child because you wanted to adopt her, not to benefit the agency that placed her in your home. Your unreimbursed expenses are not deductible as charitable contributions.

Church deacon. You can deduct as a charitable contribution any unreimbursed expenses you have while in a permanent diaconate program established by your church. These expenses include the cost of vestments, books, and transportation required in order to serve in the program as either a deacon candidate or an ordained deacon.

Car expenses. You can deduct as a charitable contribution any unreimbursed out-of-pocket expenses, such as the cost of gas and oil, directly related to the use of your car in giving services to a charitable organization. You cannot deduct general repair and maintenance expenses, depreciation, registration fees, or the costs of tires or insurance.

If you do not want to deduct your actual expenses, you can use a standard mileage rate of 14 cents a mile to figure your contribution.

You can deduct parking fees and tolls whether you use your actual expenses or the standard mileage rate.

You must keep reliable written records of your car expenses. For more information, see *Car expenses* under *Records To Keep*, later.

Travel. Generally, you can claim a charitable contribution deduction for travel expenses necessarily incurred while you are away from home performing services for a charitable organization only if there is no significant element of personal pleasure, recreation, or vacation in the travel. This applies whether you pay the expenses directly or indirectly. You are paying the expenses indirectly if you make a payment to the charitable organization and the organization pays for your travel expenses.

The deduction for travel expenses will not be denied simply because you enjoy providing services to the charitable organization. Even if you enjoy the trip, you can take a charitable contribution deduction for your travel expenses if you are on duty in a genuine and substantial sense throughout the trip. However, if you have only nominal duties, or if for significant parts of the trip you do not have any duties, you cannot deduct your travel expenses.

Example 1. You are a troop leader for a tax-exempt youth group and you take the group on a camping trip. You are responsible for overseeing the setup of the camp and for providing adult supervision for other activities during the entire trip. You participate in the activities of the group and enjoy your time with them. You oversee the breaking of camp and you transport the group home. You can deduct your travel expenses.

Example 2. You sail from one island to another and spend 8 hours a day counting whales and other forms of marine life. The project is sponsored by a charitable organization. In most circumstances, you cannot deduct your expenses.

Example 3. You work for several hours each morning on an archeological dig sponsored by a charitable organization. The rest of the day is free for recreation and sightseeing. You cannot take a charitable contribution deduction even though you work very hard during those few hours.

Example 4. You spend the entire day attending a charitable organization's regional meeting as a chosen representative. In the evening you go to the theater. You can claim your travel expenses as charitable contributions, but

you cannot claim the cost of your evening at the theater.

Daily allowance (per diem). If you provide services for a charitable organization and receive a daily allowance to cover reasonable travel expenses, including meals and lodging while away from home overnight, you must include in income any part of the allowance that is more than your deductible travel expenses. You may be able to deduct any necessary travel expenses that are more than the allowance.

Deductible travel expenses. These include:

- Air, rail, and bus transportation,
- Out-of-pocket expenses for your car,
- Taxi fares or other costs of transportation between the airport or station and your hotel,
- Lodging costs, and
- The cost of meals.

Because these travel expenses are not business-related, they are not subject to the same limits as business related expenses. For information on business travel expenses, see *Travel* in Publication 463, Travel, Entertainment, Gift, and Car Expenses.

Expenses of Whaling Captains

You may be able to deduct as a charitable contribution any reasonable and necessary whaling expenses you pay during the year to carry out sanctioned whaling activities. The deduction is limited to $10,000 a year. To claim the deduction, you must be recognized by the Alaska Eskimo Whaling Commission as a whaling captain charged with the responsibility of maintaining and carrying out sanctioned whaling activities.

Sanctioned whaling activities are subsistence bowhead whale hunting activities conducted under the management plan of the Alaska Eskimo Whaling Commission.

Whaling expenses include expenses for:

- Acquiring and maintaining whaling boats, weapons, and gear used in sanctioned whaling activities,
- Supplying food for the crew and other provisions for carrying out these activities, and
- Storing and distributing the catch from these activities.

RECORDS You must keep records showing the time, place, date, amount, and nature of the expenses. For details, see Revenue Procedure 2006-50, which is on page 944 of Internal Revenue Bulletin 2006-47 at *www.irs.gov/pub/irs-irbs/irb06-47.pdf*.

Contributions You Cannot Deduct

There are some contributions you cannot deduct and others you can deduct only in part.

You cannot deduct as a charitable contribution:

1. A contribution to a specific individual,
2. A contribution to a nonqualified organization,
3. The part of a contribution from which you receive or expect to receive a benefit,
4. The value of your time or services,
5. Your personal expenses,
6. A qualified charitable distribution from an individual retirement arrangement (IRA),
7. Appraisal fees,
8. Certain contributions to donor-advised funds, or
9. Certain contributions of partial interests in property.

Detailed discussions of these items follow.

Contributions to Individuals

You cannot deduct contributions to specific individuals, including the following.

- Contributions to fraternal societies made for the purpose of paying medical or burial expenses of members.
- Contributions to individuals who are needy or worthy. You cannot deduct these contributions even if you make them to a qualified organization for the benefit of a specific person. But you can deduct a contribution to a qualified organization that helps needy or worthy individuals if you do not indicate that your contribution is for a specific person.

  Example. You can deduct contributions to a qualified organization for flood relief, hurricane relief, or other disaster relief. However, you cannot deduct contributions earmarked for relief of a particular individual or family.
- Payments to a member of the clergy that can be spent as he or she wishes, such as for personal expenses.
- Expenses you paid for another person who provided services to a qualified organization.

  Example. Your son does missionary work. You pay his expenses. You cannot claim a deduction for your son's unreimbursed expenses related to his contribution of services.
- Payments to a hospital that are for a specific patient's care or for services for a specific patient. You cannot deduct these payments even if the hospital is operated by a city, state, or other qualified organization.

Contributions to Nonqualified Organizations

You cannot deduct contributions to organizations that are not qualified to receive tax-deductible contributions, including the following.

1. Certain state bar associations if:
   a. The bar is not a political subdivision of a state,
   b. The bar has private, as well as public, purposes, such as promoting the professional interests of members, and
   c. Your contribution is unrestricted and can be used for private purposes.
2. Chambers of commerce and other business leagues or organizations.
3. Civic leagues and associations.
4. Communist organizations.
5. Country clubs and other social clubs.
6. Foreign organizations other than certain Canadian, Israeli, or Mexican charitable organizations. (See *Canadian charities*, *Mexican charities*, and *Israeli charities* under *Organizations That Qualify To Receive Deductible Contributions*, earlier.) Also, you cannot deduct a contribution you made to any qualifying organization if the contribution is earmarked to go to a foreign organization. However, certain contributions to a qualified organization for use in a program conducted by a foreign charity may be deductible as long as they are not earmarked to go to the foreign charity. For the contribution to be deductible, the qualified organization must approve the program as furthering its own exempt purposes and must keep control over the use of the contributed funds. The contribution is also deductible if the foreign charity is only an administrative arm of the qualified organization.
7. Homeowners' associations.
8. Labor unions. But you may be able to deduct union dues as a miscellaneous itemized deduction, subject to the 2%-of-adjusted-gross-income limit, on Schedule A (Form 1040). See Publication 529, Miscellaneous Deductions.
9. Political organizations and candidates.

Contributions From Which You Benefit

If you receive or expect to receive a financial or economic benefit as a result of making a contribution to a qualified organization, you cannot deduct the part of the contribution that represents the value of the benefit you receive. See *Contributions From Which You Benefit* under *Contributions You Can Deduct*, earlier. These contributions include the following.

- Contributions for lobbying. This includes amounts you earmark for use in, or in connection with, influencing specific legislation.
- Contributions to a retirement home for room, board, maintenance, or admittance. Also, if the amount of your contribution depends on the type or size of apartment you will occupy, it is not a charitable contribution.
- Costs of raffles, bingo, lottery, etc. You cannot deduct as a charitable contribution amounts you pay to buy raffle or lottery tickets or to play bingo or other games of chance. For information on how to report gambling winnings and losses, see *Deductions Not Subject to the 2% Limit* in Publication 529.
- Dues to fraternal orders and similar groups. However, see *Membership fees or*

dues under *Contributions From Which You Benefit*, earlier.

- Tuition, or amounts you pay instead of tuition. You cannot deduct as a charitable contribution amounts you pay as tuition even if you pay them for children to attend parochial schools or qualifying nonprofit daycare centers. You also cannot deduct any fixed amount you must pay in addition to, or instead of, tuition to enroll in a private school, even if it is designated as a "donation."
- Contributions connected with split-dollar insurance arrangements. You cannot deduct any part of a contribution to a charitable organization if, in connection with the contribution, the organization directly or indirectly pays, has paid, or is expected to pay any premium on any life insurance, annuity, or endowment contract for which you, any member of your family, or any other person chosen by you (other than a qualified charitable organization) is a beneficiary.

  Example. You donate money to a charitable organization. The charity uses the money to purchase a cash value life insurance policy. The beneficiaries under the insurance policy include members of your family. Even though the charity may eventually get some benefit out of the insurance policy, you cannot deduct any part of the donation.

Qualified Charitable Distributions

A qualified charitable distribution (QCD) is a distribution made directly by the trustee of your individual retirement arrangement (IRA), other than a SEP or SIMPLE IRA, to certain qualified organizations. You must have been at least age 70½ when the distribution was made. Your total QCDs for the year cannot be more than $100,000. If all the requirements are met, a QCD is nontaxable, but you cannot claim a charitable contribution deduction for a QCD. See Publication 590, Individual Retirement Arrangements (IRAs), for more information about QCDs.

TIP *You can elect to treat a QCD made in January 2013 as if it was made in 2012. Additionally, any portion of a distribution made from an IRA in December 2012 and contributed as cash (or cash equivalent) to a qualified organization before February 1, 2013, can be treated as a QCD if it meets certain requirements. See Publication 590 for more information.*

Value of Time or Services

You cannot deduct the value of your time or services, including:

- Blood donations to the American Red Cross or to blood banks, and
- The value of income lost while you work as an unpaid volunteer for a qualified organization.

Personal Expenses

You cannot deduct personal, living, or family expenses, such as the following items.

- The cost of meals you eat while you perform services for a qualified organization, unless it is necessary for you to be away from home overnight while performing the services.
- Adoption expenses, including fees paid to an adoption agency and the costs of keeping a child in your home before adoption is final. However, you may be able to claim a tax credit for these expenses. Also, you may be able to exclude from your gross income amounts paid or reimbursed by your employer for your adoption expenses. See Form 8839, Qualified Adoption Expenses, and its instructions, for more information. You also may be able to claim an exemption for the child. See *Exemptions for Dependents* in Publication 501 for more information.

Appraisal Fees

You cannot deduct as a charitable contribution any fees you pay to find the fair market value of donated property. But you can claim them, subject to the 2%-of-adjusted-gross-income limit, as a miscellaneous itemized deduction on Schedule A (Form 1040). See *Deductions Subject to the 2% Limit* in Publication 529 for more information.

Contributions to Donor-Advised Funds

You cannot deduct a contribution to a donor-advised fund if:

- The qualified organization that sponsors the fund is a war veterans' organization, a fraternal society, or a nonprofit cemetery company, or
- You do not have an acknowledgment from that sponsoring organization that it has exclusive legal control over the assets contributed.

There are also other circumstances in which you cannot deduct your contribution to a donor-advised fund.

Generally, a donor-advised fund is a fund or account in which a donor can, because of being a donor, advise the fund how to distribute or invest amounts held in the fund. For details, see Internal Revenue Code section 170(f)(18).

Partial Interest in Property

Generally, you cannot deduct a contribution of less than your entire interest in property. For details, see *Partial Interest in Property* under *Contributions of Property*, later.

Contributions of Property

If you contribute property to a qualified organization, the amount of your charitable contribution is generally the fair market value of the property at the time of the contribution. However, if the property has increased in value, you may have to make some adjustments to the amount of your deduction. See *Giving Property That Has Increased in Value*, later.

For information about the records you must keep and the information you must furnish with your return if you donate property, see *Records To Keep* and *How To Report*, later.

Contributions Subject to Special Rules

Special rules apply if you contribute:

- Clothing or household items,
- A car, boat, or airplane,
- Taxidermy property,
- Property subject to a debt,
- A partial interest in property,
- A fractional interest in tangible personal property,
- A qualified conservation contribution,
- A future interest in tangible personal property,
- Inventory from your business, or
- A patent or other intellectual property.

These special rules are described next.

Clothing and Household Items

You cannot take a deduction for clothing or household items you donate unless the clothing or household items are in good used condition or better.

Exception. You can take a deduction for a contribution of an item of clothing or a household item that is not in good used condition or better if you deduct more than $500 for it and include a qualified appraisal of it with your return.

Household items. Household items include:

- Furniture and furnishings,
- Electronics,
- Appliances,
- Linens, and
- Other similar items.

Household items do not include:

- Food,
- Paintings, antiques, and other objects of art,
- Jewelry and gems, and
- Collections.

Fair market value. To determine the fair market value of these items, use the rules under *Determining Fair Market Value*, later.

Cars, Boats, and Airplanes

The following rules apply to any donation of a qualified vehicle.

A qualified vehicle is:

- A car or any motor vehicle manufactured mainly for use on public streets, roads, and highways,
- A boat, or
- An airplane.

Deduction more than $500. If you donate a qualified vehicle with a claimed fair market value of more than $500, you can deduct the smaller of:

- The gross proceeds from the sale of the vehicle by the organization, or
- The vehicle's fair market value on the date of the contribution. If the vehicle's fair market value was more than your cost or other basis, you may have to reduce the fair market value to figure the deductible amount, as described under *Giving Property That Has Increased in Value*, later.

Form 1098-C. You must attach to your return Copy B of the Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, (or other statement containing the same information as Form 1098-C) you received from the organization. The Form 1098-C (or other statement) will show the gross proceeds from the sale of the vehicle.

If you e-file your return, you must:

- Attach Copy B of Form 1098-C to Form 8453, U.S. Individual Income Tax Transmittal for an IRS *e-file* Return, and mail the forms to the IRS, or
- Include Copy B of Form 1098-C as a pdf attachment if your software program allows it.

If you do not attach Form 1098-C (or other statement), you cannot deduct your contribution. You must get Form 1098-C (or other statement) within 30 days of the sale of the vehicle. But if exception 1 or 2 (described later) applies, you must get Form 1098-C (or other statement) within 30 days of your donation.

Filing deadline approaching and still no Form 1098-C. If the filing deadline is approaching and you still do not have a Form 1098-C, you have two choices.

1. Request an automatic 6-month extension of time to file your return. You can get this extension by filing Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return. For more information, see the instructions for Form 4868.
2. File the return on time without claiming the deduction for the qualified vehicle. After receiving the Form 1098-C, file an amended return, Form 1040X, Amended U.S. Individual Income Tax Return, claiming the deduction. Attach Copy B of Form 1098-C (or other statement) to the amended return.

Exceptions. There are two exceptions to the rules just described for deductions of more than $500.

Exception 1—vehicle used or improved by organization. If the qualified organization makes a significant intervening use of or material improvement to the vehicle before transferring it, you generally can deduct the vehicle's fair market value at the time of the contribution. But if the vehicle's fair market value was more than your cost or other basis, you may have to reduce the fair market value to get the deductible amount, as described under *Giving Property That Has Increased in Value*, later. The Form 1098-C (or other statement) will show whether this exception applies.

Exception 2—vehicle given or sold to needy individual. If the qualified organization will give the vehicle, or sell it for a price well below fair market value, to a needy individual to further the organization's charitable purpose, you generally can deduct the vehicle's fair market value at the time of the contribution. But if the vehicle's fair market value was more than your cost or other basis, you may have to reduce the fair market value to get the deductible amount, as described under *Giving Property That Has Increased in Value*, later. The Form 1098-C (or other statement) will show whether this exception applies.

This exception does not apply if the organization sells the vehicle at auction. In that case, you cannot deduct the vehicle's fair market value.

Example. Anita donates a used car to a qualified organization. She bought it 3 years ago for $9,000. A used car guide shows the fair market value for this type of car is $6,000. However, Anita gets a Form 1098-C from the organization showing the car was sold for $2,900. Neither exception 1 nor exception 2 applies. If Anita itemizes her deductions, she can deduct $2,900 for her donation. She must attach Form 1098-C and Form 8283 to her return.

Deduction $500 or less. If the qualified organization sells the vehicle for $500 or less and exceptions 1 and 2 do not apply, you can deduct the smaller of:

- $500, or
- The vehicle's fair market value on the date of the contribution. But if the vehicle's fair market value was more than your cost or other basis, you may have to reduce the fair market value to get the deductible amount, as described under *Giving Property That Has Increased in Value*, later.

If the vehicle's fair market value is at least $250 but not more than $500, you must have a written statement from the qualified organization acknowledging your donation. The statement must contain the information and meet the tests for an acknowledgment described under *Contributions of $250 or More* under *Records To Keep*, later.

Fair market value. To determine a vehicle's fair market value, use the rules described under *Determining Fair Market Value*, later.

Donations of inventory. The vehicle donation rules just described do not apply to donations of inventory. For example, these rules do not apply if you are a car dealer who donates a car you had been holding for sale to customers. See *Inventory*, later.

Taxidermy Property

If you donate taxidermy property to a qualified organization, your deduction is limited to your basis in the property or its fair market value, whichever is less. This applies if you prepared, stuffed, or mounted the property or paid or incurred the cost of preparing, stuffing, or mounting the property.

Your basis for this purpose includes only the cost of preparing, stuffing, and mounting the property. Your basis does not include transportation or travel costs. It also does not include the direct or indirect costs for hunting or killing an animal, such as equipment costs. In addition, it does not include the value of your time.

Taxidermy property means any work of art that:

- Is the reproduction or preservation of an animal, in whole or in part,
- Is prepared, stuffed, or mounted to recreate one or more characteristics of the animal, and
- Contains a part of the body of the dead animal.

Property Subject to a Debt

If you contribute property subject to a debt (such as a mortgage), you must reduce the fair market value of the property by:

1. Any allowable deduction for interest you paid (or will pay) that is attributable to any period after the contribution, and
2. If the property is a bond, the lesser of:
   a. Any allowable deduction for interest you paid (or will pay) to buy or carry the bond that is attributable to any period before the contribution, or
   b. The interest, including bond discount, receivable on the bond that is attributable to any period before the contribution, and that is not includible in your income due to your accounting method.

This prevents you from deducting the same amount as both investment interest and a charitable contribution.

If the recipient (or another person) assumes the debt, you must also reduce the fair market value of the property by the amount of the outstanding debt assumed.

The amount of the debt is also treated as an amount realized on the sale or exchange of property for purposes of figuring your taxable gain (if any). For more information, see *Bargain Sales* under *Giving Property That Has Increased in Value*, later.

Partial Interest in Property

Generally, you cannot deduct a charitable contribution of less than your entire interest in property.

Right to use property. A contribution of the right to use property is a contribution of less than your entire interest in that property and is not deductible.

Example 1. You own a 10-story office building and donate rent-free use of the top floor to a charitable organization. Because you still own the building, you have contributed a partial interest in the property and cannot take a deduction for the contribution.

Example 2. Mandy White owns a vacation home at the beach that she sometimes rents to others. For a fund-raising auction at her church, she donated the right to use the vacation home for 1 week. At the auction, the church received and accepted a bid from Lauren Green equal to the fair rental value of the home for 1 week. Mandy cannot claim a deduction because of the partial interest rule. Lauren cannot claim a deduction either, because she received a benefit equal to the amount of her payment. See *Contributions From Which You Benefit*, earlier.

Exceptions. You can deduct a charitable contribution of a partial interest in property only if that interest represents one of the following items.

- A remainder interest in your personal home or farm. A remainder interest is one that passes to a beneficiary after the end of an earlier interest in the property.

  Example. You keep the right to live in your home during your lifetime and give your church a remainder interest that begins upon your death. You can deduct the value of the remainder interest.
- An undivided part of your entire interest. This must consist of a part of every substantial interest or right you own in the property and must last as long as your interest in the property lasts. But see *Fractional Interest in Tangible Personal Property*, later.

  Example. You contribute voting stock to a qualified organization but keep the right to vote the stock. The right to vote is a substantial right in the stock. You have not contributed an undivided part of your entire interest and cannot deduct your contribution.
- A partial interest that would be deductible if transferred to certain types of trusts.
- A qualified conservation contribution (defined later).

For information about how to figure the value of a contribution of a partial interest in property, see *Partial Interest in Property Not in Trust* in Publication 561.

Fractional Interest in Tangible Personal Property

You cannot deduct a charitable contribution of a fractional interest in tangible personal property unless all interests in the property are held immediately before the contribution by:

- You, or
- You and the qualifying organization receiving the contribution.

If you make an additional contribution later, the fair market value of that contribution will be determined by using the smaller of:

- The fair market value of the property at the time of the initial contribution, or
- The fair market value of the property at the time of the additional contribution.

Tangible personal property is defined later under *Future Interest in Tangible Personal Property*. A fractional interest in property is an undivided portion of your entire interest in the property.

Example. An undivided one-quarter interest in a painting that entitles an art museum to possession of the painting for 3 months of each year is a fractional interest in the property.

Recapture of deduction. You must recapture your charitable contribution deduction by including it in your income if both of the following statements are true.

1. You contributed a fractional interest in tangible personal property after August 17, 2006.
2. You do not contribute the rest of your interests in the property to the original recipient or, if it no longer exists, another qualified organization on or before the earlier of:
   a. The date that is 10 years after the date of the initial contribution, or
   b. The date of your death.

Recapture is also required if the qualified organization has not taken substantial physical possession of the property and used it in a way related to the organization's purpose during the period beginning on the date of the initial contribution and ending on the earlier of:

1. The date that is 10 years after the date of the initial contribution, or
2. The date of your death.

Additional tax. If you must recapture your deduction, you must also pay interest and an additional tax equal to 10% of the amount recaptured.

Qualified Conservation Contribution

A qualified conservation contribution is a contribution of a qualified real property interest to a qualified organization to be used only for conservation purposes.

Qualified organization. For purposes of a qualified conservation contribution, a qualified organization is:

- A governmental unit,
- A publicly supported charity, or
- An organization controlled by, and operated for the exclusive benefit of, a governmental unit or a publicly supported charity.

The organization also must have a commitment to protect the conservation purposes of the donation and must have the resources to enforce the restrictions.

A publicly supported charity is an organization of the type described in (1) under *Types of Qualified Organizations*, earlier, that normally receives a substantial part of its support, other than income from its exempt activities, from direct or indirect contributions from the general public or from governmental units.

Qualified real property interest. This is any of the following interests in real property.

1. Your entire interest in real estate other than a mineral interest (subsurface oil, gas, or other minerals, and the right of access to these minerals).
2. A remainder interest.
3. A restriction (granted in perpetuity) on the use that may be made of the real property.

Conservation purposes. Your contribution must be made only for one of the following conservation purposes.

- Preserving land areas for outdoor recreation by, or for the education of, the general public.
- Protecting a relatively natural habitat of fish, wildlife, or plants, or a similar ecosystem.
- Preserving open space, including farmland and forest land, if it yields a significant public benefit. The open space must be preserved either for the scenic enjoyment of the general public or under a clearly defined federal, state, or local governmental conservation policy.
- Preserving a historically important land area or a certified historic structure.

Building in registered historic district. If a building in a registered historic district is a certified historic structure, a contribution of a qualified real property interest that is an easement or other restriction on the exterior of the building is deductible only if it meets all of the following conditions.

1. The restriction must preserve the entire exterior of the building (including its front, sides, rear, and height) and must prohibit any change to the exterior of the building that is inconsistent with its historical character.
2. You and the organization receiving the contribution must enter into a written agreement certifying, under penalty of perjury, that the organization:
   a. Is a qualified organization with a purpose of environmental protection, land conservation, open space preservation, or historic preservation, and
   b. Has the resources to manage and enforce the restriction and a commitment to do so.
3. You must include with your return:
   a. A qualified appraisal,
   b. Photographs of the building's entire exterior, and
   c. A description of all restrictions on development of the building, such as zoning laws and restrictive covenants.

If you claimed the rehabilitation credit for the building for any of the 5 years before the year of

the contribution, your charitable deduction is reduced. For more information, see Form 3468, Investment Credit, and Internal Revenue Code section 170(f)(14).

If you claim a deduction of more than $10,000, your deduction will not be allowed unless you pay a $500 filing fee. See Form 8283-V, Payment Voucher for Filing Fee Under Section 170(f)(13), and its instructions. You may be able to deduct the filing fee as a miscellaneous itemized deduction, subject to the 2%-of-adjusted-gross-income limit, on Schedule A (Form 1040). See *Deductions Subject to the 2% Limit* in Publication 529 for more information.

More information. For information about determining the fair market value of qualified conservation contributions, see Publication 561. For information about the limits that apply to deductions for this type of contribution, see *Limits on Deductions*, later. For more information about qualified conservation contributions, see Regulations section 1.170A-14.

Future Interest in Tangible Personal Property

You cannot deduct the value of a charitable contribution of a future interest in tangible personal property until all intervening interests in and rights to the actual possession or enjoyment of the property have either expired or been turned over to someone other than yourself, a related person, or a related organization. But see *Fractional Interest in Tangible Personal Property*, earlier, and *Tangible personal property put to unrelated use*, later.

Related persons include your spouse, children, grandchildren, brothers, sisters, and parents. Related organizations may include a partnership or corporation in which you have an interest, or an estate or trust with which you have a connection.

Tangible personal property. This is any property, other than land or buildings, that can be seen or touched. It includes furniture, books, jewelry, paintings, and cars.

Future interest. This is any interest that is to begin at some future time, regardless of whether it is designated as a future interest under state law.

Example. You own an antique car that you contribute to a museum. You give up ownership, but retain the right to keep the car in your garage with your personal collection. Because you keep an interest in the property, you cannot deduct the contribution. If you turn the car over to the museum in a later year, giving up all rights to its use, possession, and enjoyment, you can take a deduction for the contribution in that later year.

Inventory

If you contribute inventory (property you sell in the course of your business), the amount you can deduct is the smaller of its fair market value on the day you contributed it or its basis. The basis of contributed inventory is any cost incurred for the inventory in an earlier year that you would otherwise include in your opening inventory for the year of the contribution. You must remove the amount of your charitable contribution deduction from your opening inventory. It is not part of the cost of goods sold.

If the cost of donated inventory is not included in your opening inventory, the inventory's basis is zero and you cannot claim a charitable contribution deduction. Treat the inventory's cost as you would ordinarily treat it under your method of accounting. For example, include the purchase price of inventory bought and donated in the same year in the cost of goods sold for that year.

A special rule applies to certain donations of food inventory. See Food Inventory, later.

Patents and Other Intellectual Property

If you donate intellectual property to a qualified organization, your deduction is limited to the basis of the property or the fair market value of the property, whichever is smaller. Intellectual property means any of the following:

- Patents.
- Copyrights (other than a copyright described in Internal Revenue Code sections 1221(a)(3) or 1231(b)(1)(C)).
- Trademarks.
- Trade names.
- Trade secrets.
- Know-how.
- Software (other than software described in Internal Revenue Code section 197(e)(3)(A)(i)).
- Other similar property or applications or registrations of such property.

Additional deduction based on income. You may be able to claim additional charitable contribution deductions in the year of the contribution and years following, based on the income, if any, from the donated property.

The following table shows the percentage of income from the property that you can deduct for each of your tax years ending on or after the date of the contribution. In the table, "tax year 1," for example, means your first tax year ending on or after the date of the contribution. However, you can take the additional deduction only to the extent the total of the amounts figured using this table is more than the amount of the deduction claimed for the original donation of the property.

After the legal life of the intellectual property ends, or after the 10th anniversary of the donation, whichever is earlier, no additional deduction is allowed.

The additional deductions cannot be taken for intellectual property donated to certain private foundations.

Tax year	Deductible percentage
1	100%
2	100%
3	90%
4	80%
5	70%
6	60%
7	50%
8	40%
9	30%
10	20%
11	10%
12	10%

Reporting requirements. You must inform the organization at the time of the donation that you intend to treat the donation as a contribution subject to the provisions just discussed.

The organization is required to file an information return showing the income from the property, with a copy to you. This is done on Form 8899, Notice of Income From Donated Intellectual Property.

Determining Fair Market Value

This section discusses general guidelines for determining the fair market value of various types of donated property. Publication 561 contains a more complete discussion.

Fair market value is the price at which property would change hands between a willing buyer and a willing seller, neither having to buy or sell, and both having reasonable knowledge of all the relevant facts.

Used clothing. The fair market value of used clothing and other personal items is usually far less than the price you paid for them. There are no fixed formulas or methods for finding the value of items of clothing.

You should claim as the value the price that buyers of used items actually pay in used clothing stores, such as consignment or thrift shops.

Also see *Clothing and Household Items*, earlier.

Household items. The fair market value of used household items, such as furniture, appliances, and linens, is usually much lower than the price paid when new. These items may have little or no market value because they are in a worn condition, out of style, or no longer useful. For these reasons, formulas (such as using a percentage of the cost to buy a new replacement item) are not acceptable in determining value.

You should support your valuation with photographs, canceled checks, receipts from your purchase of the items, or other evidence. Magazine or newspaper articles and photographs that describe the items and statements by the recipients of the items are also useful. Do not include any of this evidence with your tax return.

If the property is valuable because it is old or unique, see the discussion under *Paintings, Antiques, and Other Objects of Art* in Publication 561.

Also see *Clothing and Household Items*, earlier.

Cars, boats, and airplanes. If you contribute a car, boat, or airplane to a charitable organization, you must determine its fair market value.

Boats. Except for small, inexpensive boats, the valuation of boats should be based on an appraisal by a marine surveyor or appraiser because the physical condition is critical to the value.

Cars. Certain commercial firms and trade organizations publish used car pricing guides, commonly called "blue books," containing complete dealer sale prices or dealer average prices for recent model years. The guides may be published monthly or seasonally, and for different regions of the country. These guides also provide estimates for adjusting for unusual equipment, unusual mileage, and physical condition. The prices are not "official" and these publications are not considered an appraisal of any specific donated property. But they do provide clues for making an appraisal and suggest relative prices for comparison with current sales and offerings in your area.

These publications are sometimes available from public libraries, or from the loan officer at a bank, credit union, or finance company. You can also find used car pricing information on the Internet.

To find the fair market value of a donated car, use the price listed in a used car guide for a private party sale, not the dealer retail value. However, the fair market value may be less if the car has engine trouble, body damage, high mileage, or any type of excessive wear. The fair market value of a donated car is the same as the price listed in a used car guide for a private party sale only if the guide lists a sales price for a car that is the same make, model, and year, sold in the same area, in the same condition, with the same or similar options or accessories, and with the same or similar warranties as the donated car.

Example. You donate a used car in poor condition to a local high school for use by students studying car repair. A used car guide shows the dealer retail value for this type of car in poor condition is $1,600. However, the guide shows the price for a private party sale of the car is only $750. The fair market value of the car is considered to be $750.

Large quantities. If you contribute a large number of the same item, fair market value is the price at which comparable numbers of the item are being sold.

Example. You purchase 500 bibles for $1,000. The person who sells them to you says the retail value of these bibles is $3,000. If you contribute the bibles to a qualified organization, you can claim a deduction only for the price at which similar numbers of the same bible are currently being sold. Your charitable contribution is $1,000, unless you can show that similar numbers of that bible were selling at a different price at the time of the contribution.

Giving Property That Has Decreased in Value

If you contribute property with a fair market value that is less than your basis in it, your deduction is limited to its fair market value. You cannot claim a deduction for the difference between the property's basis and its fair market value.

Your basis in property is generally what you paid for it. If you need more information about basis, see Publication 551, Basis of Assets. You may want to see Publication 551 if you contribute property that you:

- Received as a gift or inheritance,
- Used in a trade, business, or activity conducted for profit, or
- Claimed a casualty loss deduction for.

Common examples of property that decreases in value include clothing, furniture, appliances, and cars.

Giving Property That Has Increased in Value

If you contribute property with a fair market value that is more than your basis in it, you may have to reduce the fair market value by the amount of appreciation (increase in value) when you figure your deduction.

Your basis in property is generally what you paid for it. If you need more information about basis, see Publication 551.

Different rules apply to figuring your deduction, depending on whether the property is:

- Ordinary income property, or
- Capital gain property.

Ordinary Income Property

Property is ordinary income property if you would have recognized ordinary income or short-term capital gain had you sold it at fair market value on the date it was contributed. Examples of ordinary income property are inventory, works of art created by the donor, manuscripts prepared by the donor, and capital assets (defined later, under *Capital Gain Property*) held 1 year or less.

Property used in a trade or business. Property used in a trade or business is considered ordinary income property to the extent of any gain that would have been treated as ordinary income because of depreciation had the property been sold at its fair market value at the time of contribution. See chapter 3 of Publication 544, Sales and Other Dispositions of Assets, for the kinds of property to which this rule applies.

Amount of deduction. The amount you can deduct for a contribution of ordinary income property is its fair market value minus the amount that would be ordinary income or short-term capital gain if you sold the property for its fair market value. Generally, this rule limits the deduction to your basis in the property.

Example. You donate stock you held for 5 months to your church. The fair market value of the stock on the day you donate it is $1,000, but you paid only $800 (your basis). Because the $200 of appreciation would be short-term capital gain if you sold the stock, your deduction is limited to $800 (fair market value minus the appreciation).

Exception. Do not reduce your charitable contribution if you include the ordinary or capital gain income in your gross income in the same year as the contribution. See *Ordinary or capital gain income included in gross income* under *Capital Gain Property*, next, if you need more information.

Capital Gain Property

Property is capital gain property if you would have recognized long-term capital gain had you sold it at fair market value on the date of the contribution. Capital gain property includes capital assets held more than 1 year.

Capital assets. Capital assets include most items of property you own and use for personal purposes or investment. Examples of capital assets are stocks, bonds, jewelry, coin or stamp collections, and cars or furniture used for personal purposes.

For purposes of figuring your charitable contribution, capital assets also include certain real property and depreciable property used in your trade or business and, generally, held more than 1 year. You may, however, have to treat this property as partly ordinary income property and partly capital gain property. See *Property used in a trade or business* under *Ordinary Income Property,* earlier.

Real property. Real property is land and generally anything built on, growing on, or attached to land.

Depreciable property. Depreciable property is property used in business or held for the production of income and for which a depreciation deduction is allowed.

For more information about what is a capital asset, see chapter 2 of Publication 544.

Amount of deduction – general rule. When figuring your deduction for a contribution of capital gain property, you generally can use the fair market value of the property.

Exceptions. However, in certain situations, you must reduce the fair market value by any amount that would have been long-term capital gain if you had sold the property for its fair market value. Generally, this means reducing the fair market value to the property's cost or other basis. You must do this if:

1. The property (other than qualified appreciated stock) is contributed to certain private nonoperating foundations,
2. You choose the 50% limit instead of the special 30% limit for capital gain property, discussed later,

3. The contributed property is intellectual property (as defined earlier under *Patents and Other Intellectual Property*),
4. The contributed property is certain taxidermy property as explained earlier, or
5. The contributed property is tangible personal property (defined earlier) that:
   a. Is put to an unrelated use (defined later) by the charity, or
   b. Has a claimed value of more than $5,000 and is sold, traded, or otherwise disposed of by the qualified organization during the year in which you made the contribution, and the qualified organization has not made the required certification of exempt use (such as on Form 8282, Donee Information Return, Part IV). See also *Recapture if no exempt use*, later.

Contributions to private nonoperating foundations. The reduced deduction applies to contributions to all private nonoperating foundations other than those qualifying for the 50% limit, discussed later.

However, the reduced deduction does not apply to contributions of qualified appreciated stock. Qualified appreciated stock is any stock in a corporation that is capital gain property and for which market quotations are readily available on an established securities market on the day of the contribution. But stock in a corporation does not count as qualified appreciated stock to the extent you and your family contributed more than 10% of the value of all the outstanding stock in the corporation.

Tangible personal property put to unrelated use. Tangible personal property is defined earlier under *Future Interest in Tangible Personal Property*.

Unrelated use. The term "unrelated use" means a use unrelated to the exempt purpose or function of the charitable organization. For a governmental unit, it means the use of the contributed property for other than exclusively public purposes.

Example. If a painting contributed to an educational institution is used by that organization for educational purposes by being placed in its library for display and study by art students, the use is not an unrelated use. But if the painting is sold and the proceeds are used by the organization for educational purposes, the use is an unrelated use.

Deduction limited. Your deduction for a contribution of tangible personal property may be limited. See (5) under *Exceptions*, earlier.

Recapture if no exempt use. You must recapture part of your charitable contribution deduction by including it in your income if all the following statements are true.

1. You donate tangible personal property with a claimed value of more than $5,000, and your deduction is more than your basis in the property.
2. The organization sells, trades, or otherwise disposes of the property after the year it was contributed but within 3 years of the contribution.
3. The organization does not provide a written statement (such as on Form 8282, Part IV), signed by an officer of the organization under penalty of perjury, that either:
   a. Certifies its use of the property was substantial and related to the organization's purpose, or
   b. Certifies its intended use of the property became impossible.

If all the preceding statements are true, include in your income:

1. The deduction you claimed for the property, minus
2. Your basis in the property when you made the contribution.

Include this amount in your income for the year the qualified organization disposes of the property. Report the recaptured amount on Form 1040, line 21.

Ordinary or capital gain income included in gross income. You do not reduce your charitable contribution if you include the ordinary or capital gain income in your gross income in the same year as the contribution. This may happen when you transfer installment or discount obligations or when you assign income to a charitable organization. If you contribute an obligation received in a sale of property that is reported under the installment method, see Publication 537, Installment Sales.

Example. You donate an installment note to a qualified organization. The note has a fair market value of $10,000 and a basis to you of $7,000. As a result of the donation, you have a short-term capital gain of $3,000 ($10,000 – $7,000), which you include in your income for the year. Your charitable contribution is $10,000.

Food Inventory

Special rules apply to certain donations of food inventory to a qualified organization. These rules apply if all the following conditions are met.

1. You made a contribution of apparently wholesome food from your trade or business. Apparently wholesome food is food intended for human consumption that meets all quality and labeling standards imposed by federal, state, and local laws and regulations even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other conditions.
2. The food is to be used only for the care of the ill, the needy, or infants.
3. The use of the food is related to the organization's exempt purpose or function.
4. The organization does not transfer the food for money, other property, or services.
5. You receive a written statement from the organization stating it will comply with requirements (2), (3), and (4).
6. The organization is not a private nonoperating foundation.
7. The food satisfies any applicable requirements of the Federal Food, Drug, and Cosmetic Act and regulations on the date of transfer and for the previous 180 days.

If all the conditions just described are met, use the following worksheet to figure your deduction.

Worksheet 1.
Donations of Food Inventory
See separate Worksheet instructions.
(Keep for your records)

1.	Enter fair market value of the donated food	_____
2.	Enter basis of the donated food	_____
3.	Subtract line 2 from line 1. If the result is zero or less, stop here. Do not complete the rest of this worksheet. Your charitable contribution deduction for food is the amount on line 1 above	_____
4.	Enter one-half of line 3	_____
5.	Subtract line 4 from line 1	_____
6.	Multiply line 2 by 2.0	_____
7.	Subtract line 6 from line 5. If the result is less than zero, enter -0-	_____
8.	Add lines 4 and 7	_____
9.	Compare line 3 and line 8. Enter the smaller amount.	_____
10.	Subtract line 9 from line 1	_____
11.	Enter 10% of your total net income for the year from all trades or businesses from which food inventory was donated	_____
12.	Compare line 10 and line 11. Enter the smaller amount. This is your charitable contribution deduction for the food	_____

Worksheet instructions. Enter on line 11 of the worksheet 10% of your net income for the year from all sole proprietorships, S corporations, or partnerships (or other entity that is not a C corporation) from which contributions of food inventory were made. Figure net income before any deduction for a charitable contribution of food inventory.

If you made more than one contribution of food inventory, complete a separate worksheet for each contribution. Complete lines 11 and 12 on only one worksheet. On that worksheet, complete line 11. Then compare line 11 and the total of the line 10 amounts on all worksheets and enter the smaller of those amounts on line 12.

More information. See *Inventory*, earlier, for information about determining the basis of donated inventory and the effect on cost of goods sold. For additional details, see section 170(e)(3) of the Internal Revenue Code.

Bargain Sales

A bargain sale of property is a sale or exchange for less than the property's fair market value. A bargain sale to a qualified organization is partly a charitable contribution and partly a sale or exchange.

Part that is a sale or exchange. The part of the bargain sale that is a sale or exchange may result in a taxable gain. For more information on figuring the amount of any taxable gain, see *Bargain sales to charity* in chapter 1 of Publication 544.

Part that is a charitable contribution. Figure the amount of your charitable contribution in three steps.

Step 1. Subtract the amount you received for the property from the property's fair market value at the time of sale. This gives you the fair market value of the contributed part.

Step 2. Find the adjusted basis of the contributed part. It equals:

$$\text{Adjusted basis of entire property} \times \frac{\text{Fair market value of contributed part}}{\text{Fair market value of entire property}}$$

Step 3. Determine whether the amount of your charitable contribution is the fair market value of the contributed part (which you found in *Step 1*) or the adjusted basis of the contributed part (which you found in *Step 2*). Generally, if the property sold was capital gain property, your charitable contribution is the fair market value of the contributed part. If it was ordinary income property, your charitable contribution is the adjusted basis of the contributed part. See *Ordinary Income Property* and *Capital Gain Property*, both earlier, for more information.

Example. You sell ordinary income property with a fair market value of $10,000 to a church for $2,000. Your basis is $4,000 and your adjusted gross income is $20,000. You make no other contributions during the year. The fair market value of the contributed part of the property is $8,000 ($10,000 – $2,000). The adjusted basis of the contributed part is $3,200 ($4,000 × ($8,000 ÷ $10,000)). Because the property is ordinary income property, your charitable deduction is limited to the adjusted basis of the contributed part. You can deduct $3,200.

Penalty

You may be liable for a penalty if you overstate the value or adjusted basis of contributed property.

20% penalty. The penalty is 20% of the amount by which you underpaid your tax because of the overstatement, if:

1. The value or adjusted basis claimed on your return is 150% or more of the correct amount, and
2. You underpaid your tax by more than $5,000 because of the overstatement.

40% penalty. The penalty is 40%, rather than 20%, if:

1. The value or adjusted basis claimed on your return is 200% or more of the correct amount, and
2. You underpaid your tax by more than $5,000 because of the overstatement.

When To Deduct

You can deduct your contributions only in the year you actually make them in cash or other property (or in a later carryover year, as explained under *How To Figure Your Deduction When Limits Apply*, later). This applies whether you use the cash or an accrual method of accounting.

Time of making contribution. Usually, you make a contribution at the time of its unconditional delivery.

Checks. A check you mail to a charity is considered delivered on the date you mail it.

Text message. Contributions made by text message are deductible in the year you send the text message if the contribution is charged to your telephone or wireless account.

Credit card. Contributions charged on your bank credit card are deductible in the year you make the charge.

Pay-by-phone account. Contributions made through a pay-by-phone account are considered delivered on the date the financial institution pays the amount. This date should be shown on the statement the financial institution sends you.

Stock certificate. A properly endorsed stock certificate is considered delivered on the date of mailing or other delivery to the charity or to the charity's agent. However, if you give a stock certificate to your agent or to the issuing corporation for transfer to the name of the charity, your contribution is not delivered until the date the stock is transferred on the books of the corporation.

Promissory note. If you issue and deliver a promissory note to a charity as a contribution, it is not a contribution until you make the note payments.

Option. If you grant a charity an option to buy real property at a bargain price, it is not a contribution until the charity exercises the option.

Borrowed funds. If you contribute borrowed funds, you can deduct the contribution in the year you deliver the funds to the charity, regardless of when you repay the loan.

Conditional gift. If your contribution depends on a future act or event to become effective, you cannot take a deduction unless there is only a negligible chance the act or event will not take place.

If your contribution would be undone by a later act or event, you cannot take a deduction unless there is only a negligible chance the act or event will take place.

Example 1. You contribute cash to a local school board, which is a political subdivision of a state, to help build a school gym. The school board will refund the money to you if it does not collect enough to build the gym. You cannot deduct your contribution until there is no chance (or only a negligible chance) of a refund.

Example 2. You donate land to a city for as long as the city uses it for a public park. The city plans to use the land for a park, and there is no chance (or only a negligible chance) of the land being used for any different purpose. You can deduct your charitable contribution.

Limits on Deductions

If your total contributions for the year are 20% or less of your adjusted gross income, you do not need to read this section. The limits discussed in this section do not apply to you.

The amount you can deduct for charitable contributions cannot be more than 50% of your adjusted gross income. Your deduction may be further limited to 30% or 20% of your adjusted gross income, depending on the type of property you give and the type of organization you give it to. A different limit applies to certain qualified conservation contributions. These limits are described in detail in this section.

Your adjusted gross income is the amount on Form 1040, line 38.

If your contributions are more than any of the limits that apply, see *Carryovers* under *How To Figure Your Deduction When Limits Apply*, later.

Out-of-pocket expenses. Amounts you spend performing services for a charitable organization may be deductible as a contribution to a qualified organization. If so, your deduction is subject to the limit applicable to donations to that organization. For example, the 50% limit applies to amounts you spend on behalf of a church, a 50% limit organization.

50% Limit

The 50% limit applies to the total of all charitable contributions you make during the year. This means that your deduction for charitable contributions cannot be more than 50% of your adjusted gross income for the year. But there is a higher limit, discussed later, for certain qualified conservation contributions.

Only limit for 50% organizations. The 50% limit is the only percentage limit that applies to contributions to organizations listed under *50% Limit Organizations*. But there is one exception.

Exception. A special 30% limit applies to contributions of capital gain property if you figure your deduction using fair market value without reduction for appreciation. (See *Special 30% Limit for Capital Gain Property*, later.)

50% Limit Organizations

You can ask any organization whether it is a 50% limit organization, and most will be able to

tell you. Also see *How to check whether an organization can receive deductible charitable contributions*, earlier.

Only the following types of organizations are 50% limit organizations.

1. Churches and conventions or associations of churches.
2. Educational organizations with a regular faculty and curriculum that normally have a regularly enrolled student body attending classes on site.
3. Hospitals and certain medical research organizations associated with these hospitals.
4. Organizations that are operated only to receive, hold, invest, and administer property and to make expenditures to or for the benefit of state and municipal colleges and universities and that normally receive substantial support from the United States or any state or their political subdivisions, or from the general public.
5. The United States or any state, the District of Columbia, a U.S. possession (including Puerto Rico), a political subdivision of a state or U.S. possession, or an Indian tribal government or any of its subdivisions that perform substantial government functions.
6. Publicly supported charities, defined earlier under *Qualified Conservation Contribution*.
7. Organizations that may not qualify as "publicly supported" but that meet other tests showing they respond to the needs of the general public, not a limited number of donors or other persons. They must normally receive more than one-third of their support either from organizations described in (1) through (6), or from persons other than "disqualified persons."
8. Most organizations operated or controlled by, and operated for the benefit of, those organizations described in (1) through (7).
9. Private operating foundations.
10. Private nonoperating foundations that make qualifying distributions of 100% of contributions within 2½ months following the year they receive the contribution. A deduction for charitable contributions to any of these private nonoperating foundations must be supported by evidence from the foundation confirming it made the qualifying distributions timely. Attach a copy of this supporting data to your tax return.
11. A private foundation whose contributions are pooled into a common fund, if the foundation would be described in (8) but for the right of substantial contributors to name the public charities that receive contributions from the fund. The foundation must distribute the common fund's income within 2½ months following the tax year in which it was realized and must distribute the corpus not later than 1 year after the donor's death (or after the death of the donor's surviving spouse if the spouse can name the recipients of the corpus).

30% Limit

A 30% limit applies to the following contributions.

- Contributions to all qualified organizations other than 50% limit organizations. This includes contributions to veterans' organizations, fraternal societies, nonprofit cemeteries, and certain private nonoperating foundations.
- Contributions for the use of any qualified organization.

However, if these contributions are of capital gain property, they are subject to the 20% limit, described later, rather than the 30% limit.

Student living with you. Deductible amounts you spend on behalf of a student living with you are subject to the 30% limit. These amounts are considered a contribution for the use of a qualified organization. See *Expenses Paid for Student Living With You*, earlier.

Special 30% Limit for Capital Gain Property

A special 30% limit applies to contributions of capital gain property to 50% limit organizations. (For contributions of capital gain property to other organizations, see *20% Limit*, next.) However, the special 30% limit does not apply when you choose to reduce the fair market value of the property by the amount that would have been long-term capital gain if you had sold the property. Instead, only the 50% limit applies. See *Capital Gain Property*, earlier, and *Capital gain property election* under *How To Figure Your Deduction When Limits Apply*, later.

Also, the special 30% limit does not apply to qualified conservation contributions, discussed later.

Two separate 30% limits. This special 30% limit for capital gain property is separate from the other 30% limit. Therefore, the deduction of a contribution subject to one 30% limit does not reduce the amount you can deduct for contributions subject to the other 30% limit. However, the total you deduct cannot be more than 50% of your adjusted gross income.

Example. Your adjusted gross income is $50,000. During the year, you gave capital gain property with a fair market value of $15,000 to a 50% limit organization. You do not choose to reduce the property's fair market value by its appreciation in value. You also gave $10,000 cash to a qualified organization that is not a 50% limit organization. The $15,000 contribution of property is subject to the special 30% limit. The $10,000 cash contribution is subject to the other 30% limit. Both contributions are fully deductible because neither is more than the 30% limit that applies ($15,000 in each case) and together they are not more than the 50% limit ($25,000).

20% Limit

The 20% limit applies to all contributions of capital gain property to or for the use of qualified organizations (other than contributions of capital gain property to 50% limit organizations).

Special 50% Limit for Qualified Conservation Contributions

Your deduction for qualified conservation contributions (QCCs) is limited to 50% of your adjusted gross income minus your deduction for all other charitable contributions. You can carry over any contributions you are not able to deduct for 2012 because of this limit. See *Carryovers*, later.

100% limit for QCCs of farmers and ranchers. If you are a qualified farmer or rancher, your deduction for QCCs is limited to 100%, rather than 50%, of your adjusted gross income minus your deduction for all other charitable contributions. However, if the donated property is used in agriculture or livestock production (or is available for such production), the contribution must be subject to a restriction that the property remain available for such production. If not, the limit is 50%.

Qualified farmer or rancher. You are a qualified farmer or rancher if your gross income from the trade or business of farming is more than 50% of your gross income for the year.

How To Figure Your Deduction When Limits Apply

If your contributions are subject to more than one of the limits just discussed, deduct them as follows.

1. Contributions subject only to the 50% limit, up to 50% of your adjusted gross income.
2. Contributions subject to the 30% limit, up to the lesser of:
   a. 30% of adjusted gross income, or
   b. 50% of adjusted gross income minus your contributions to 50% limit organizations, including contributions of capital gain property subject to the special 30% limit.
3. Contributions of capital gain property subject to the special 30% limit, up to the lesser of:
   a. 30% of adjusted gross income, or
   b. 50% of adjusted gross income minus your other contributions to 50% limit organizations.
4. Contributions subject to the 20% limit, up to the lesser of:
   a. 20% of adjusted gross income,
   b. 30% of adjusted gross income minus your contributions subject to the 30% limit,

c. 30% of adjusted gross income minus your contributions of capital gain property subject to the special 30% limit, or

d. 50% of adjusted gross income minus the total of your contributions to 50% limit organizations and your contributions subject to the 30% limit.

5. Qualified conservation contributions (QCCs) subject to the special 50% limit, up to 50% of adjusted gross income minus any contributions in (1) through (4).

6. QCCs subject to the 100% limit for farmers and ranchers, up to 100% of adjusted gross income minus any contributions in (1) through (5).

You also may want to use Worksheet 2, later, to figure your deduction and your carryover.

Example. Your adjusted gross income is $50,000. In March, you gave your church $2,000 cash and land with a fair market value of $28,000 and a basis of $22,000. You held the land for investment purposes. You do not choose to reduce the fair market value of the land by the appreciation in value. You also gave $5,000 cash to a private foundation to which the 30% limit applies.

The $2,000 cash donated to the church is considered first and is fully deductible. Your contribution to the private foundation is considered next. Because your contributions to 50% limit organizations ($2,000 + $28,000) are more than $25,000 (50% of $50,000), your contribution to the private foundation is not deductible for the year. It can be carried over to later years. See *Carryovers*, later. The contribution of land is considered next. Your deduction for the land is limited to $15,000 (30% x $50,000). The unused part of the contribution ($13,000) can be carried over. For this year, your deduction is limited to $17,000 ($2,000 + $15,000).

A Filled-In Worksheet 2 shows this computation in detail.

Capital gain property election. You may choose the 50% limit for contributions of capital gain property to 50% limit organizations instead of the 30% limit that would otherwise apply. If you make this choice, you must reduce the fair market value of the property contributed by the appreciation in value that would have been long-term capital gain if the property had been sold.

This choice applies to all capital gain property contributed to 50% limit organizations during a tax year. It also applies to carryovers of this kind of contribution from an earlier tax year. For details, see *Carryover of capital gain property*, later.

You must make the choice on your original return or on an amended return filed by the due date for filing the original return.

Example. In the previous example, if you choose to have the 50% limit apply to the land (the 30% capital gain property) given to your church, you must reduce the fair market value of the property by the appreciation in value. Therefore, the amount of your charitable contribution for the land would be its basis to you of $22,000. You add this amount to the $2,000 cash contributed to the church. You can now deduct $1,000 of the amount donated to the private foundation because your contributions to 50% limit organizations ($2,000 + $22,000) are $1,000 less than the 50%-of-adjusted-gross-income limit. Your total deduction for the year is $25,000 ($2,000 cash to your church, $22,000 for property donated to your church, and $1,000 cash to the private foundation). You can carry over to later years the part of your contribution to the private foundation that you could not deduct ($4,000).

Instructions for Worksheet 2

You can use Worksheet 2 if you made charitable contributions during the year, and one or more of the limits described in this publication under *Limits on Deductions* apply to you. You cannot use this worksheet if you have a carryover of a charitable contribution from an earlier year. If you have a carryover from an earlier year, see *Carryovers*, next.

The following list gives instructions for completing the worksheet.

- The terms used in the worksheet are explained earlier in this publication.
- If the result on any line is less than zero, enter zero.
- For contributions of property, enter the property's fair market value unless you elected (or were required) to reduce the fair market value as explained under *Giving Property That Has Increased in Value*. In that case, enter the reduced amount.

Worksheet 2. **Applying the Deduction Limits**

Keep for your records

If the result on any line is less than zero, enter zero. For other instructions, see *Instructions for Worksheet 2.*

Step 1. Enter any qualified conservation contributions (QCCs).

1. If you are a qualified farmer or rancher, enter any QCCs eligible for the 100% limit	1	
2. Enter any QCCs not entered on line 1. Do not include this amount on line 3, 4, 5, 6, or 8	2	

Step 2. List your other charitable contributions made during the year.

3. Enter your contributions to 50% limit organizations. (Include contributions of capital gain property if you reduced the property's fair market value. Do not include contributions of capital gain property deducted at fair market value.) **Do not** include any contributions you entered on line 1 or 2	3	
4. Enter your contributions to 50% limit organizations of capital gain property deducted at fair market value	4	
5. Enter your contributions (other than of capital gain property) to qualified organizations that are not 50% limit organizations	5	
6. Enter your contributions "for the use of" any qualified organization. (But do not enter here any amount that must be entered on line 8.)	6	
7. Add lines 5 and 6	7	
8. Enter your contributions of capital gain property to or for the use of any qualified organization. (But do not enter here any amount entered on line 3 or 4.)	8	

Step 3. Figure your deduction for the year and your carryover to the next year.

9. Enter your adjusted gross income	9	
10. Multiply line 9 by 0.5. This is your 50% limit	10	

				Carryover
Contributions to 50% limit organizations				
11. Enter the smaller of line 3 or line 10	11			
12. Subtract line 11 from line 3	12			
13. Subtract line 11 from line 10	13			
Contributions not to 50% limit organizations				
14. Add lines 3 and 4	14			
15. Multiply line 9 by 0.3. This is your 30% limit	15			
16. Subtract line 14 from line 10	16			
17. Enter the smallest of line 7, 15, or 16	17			
18. Subtract line 17 from line 7	18			
19. Subtract line 17 from line 15	19			
Contributions of capital gain property to 50% limit organizations				
20. Enter the smallest of line 4, 13, or 15	20			
21. Subtract line 20 from line 4	21			
22. Subtract line 17 from line 16	22			
23. Subtract line 20 from line 15	23			
Other contributions				
24. Multiply line 9 by 0.2. This is your 20% limit	24			
25. Enter the smallest of line 8, 19, 22, 23, or 24	25			
26. Subtract line 25 from line 8	26			
27. Add lines 11, 17, 20, and 25	27			
28. Subtract line 27 from line 10	28			
29. Enter the smaller of line 2 or line 28	29			
30. Subtract line 29 from line 2	30			
31. Subtract line 27 from line 9	31			
32. Enter the smaller of line 1 or line 31		32		
33. Add lines 27, 29, and 32. Enter the total here and on Schedule A (Form 1040), line 16 or line 17, whichever is appropriate		33		
34. Subtract line 32 from line 1		34		
35. Add lines 12, 18, 21, 26, 30, and 34. Carry this amount forward to Schedule A (Form 1040) next year		35		

Filled-in Worksheet 2. **Applying the Deduction Limits** *Keep for your records*

If the result on any line is less than zero, enter zero. For other instructions, see *Instructions for Worksheet 2.*

Step 1. Enter any qualified conservation contributions (QCCs).		
1. If you are a qualified farmer or rancher, enter any QCCs eligible for the 100% limit	1	-0-
2. Enter any QCCs not entered on line 1. Do not include this amount on line 3, 4, 5, 6, or 8	2	-0-
Step 2. List your other charitable contributions made during the year.		
3. Enter your contributions to 50% limit organizations. (Include contributions of capital gain property if you reduced the property's fair market value. Do not include contributions of capital gain property deducted at fair market value.) **Do not** include any contributions you entered on line 1 or 2	3	2,000
4. Enter your contributions to 50% limit organizations of capital gain property deducted at fair market value	4	28,000
5. Enter your contributions (other than of capital gain property) to qualified organizations that are not 50% limit organizations	5	5,000
6. Enter your contributions "for the use of" any qualified organization. (But do not enter here any amount that must be entered on line 8.)	6	-0-
7. Add lines 5 and 6	7	5,000
8. Enter your contributions of capital gain property to or for the use of any qualified organization. (But do not enter here any amount entered on line 3 or 4.)	8	-0-
Step 3. Figure your deduction for the year and your carryover to the next year.		
9. Enter your adjusted gross income	9	50,000
10. Multiply line 9 by 0.5. This is your 50% limit	10	25,000

				Carryover
Contributions to 50% limit organizations				
11. Enter the smaller of line 3 or line 10	11		2,000	
12. Subtract line 11 from line 3	12			-0-
13. Subtract line 11 from line 10	13	23,000		
Contributions not to 50% limit organizations				
14. Add lines 3 and 4	14	30,000		
15. Multiply line 9 by 0.3. This is your 30% limit	15	15,000		
16. Subtract line 14 from line 10	16	-0-		
17. Enter the smallest of line 7, 15, or 16	17		-0-	
18. Subtract line 17 from line 7	18			5,000
19. Subtract line 17 from line 15	19	15,000		
Contributions of capital gain property to 50% limit organizations				
20. Enter the smallest of line 4, 13, or 15	20		15,000	
21. Subtract line 20 from line 4	21			13,000
22. Subtract line 17 from line 16	22	-0-		
23. Subtract line 20 from line 15	23	-0-		
Other contributions				
24. Multiply line 9 by 0.2. This is your 20% limit	24	10,000		
25. Enter the smallest of line 8, 19, 22, 23, or 24	25		-0-	
26. Subtract line 25 from line 8	26			-0-
27. Add lines 11, 17, 20, and 25	27	17,000		
28. Subtract line 27 from line 10	28	8,000		
29. Enter the smaller of line 2 or line 28	29		-0-	
30. Subtract line 29 from line 2	30			-0-
31. Subtract line 27 from line 9	31	33,000		
32. Enter the smaller of line 1 or line 31	32		-0-	
33. Add lines 27, 29, and 32. Enter the total here and on Schedule A (Form 1040), line 16 or line 17, whichever is appropriate	33		17,000	
34. Subtract line 32 from line 1	34			-0-
35. Add lines 12, 18, 21, 26, 30, and 34. Carry this amount forward to Schedule A (Form 1040) next year	35			18,000

Carryovers

You can carry over any contributions you cannot deduct in the current year because they exceed your adjusted-gross-income limits. You may be able to deduct the excess in each of the next 5 years until it is used up, but not beyond that time. Your total charitable deduction for the year to which you carry your contributions cannot exceed 50% of your adjusted gross income for that year.

A carryover of a qualified conservation contribution can be carried forward for 15 years.

Contributions you carry over are subject to the same percentage limits in the year to which they are carried. For example, contributions subject to the 20% limit in the year in which they are made are 20% limit contributions in the year to which they are carried.

For each category of contributions, you deduct carryover contributions only after deducting all allowable contributions in that category for the current year. If you have carryovers from 2 or more prior years, use the carryover from the earlier year first.

Note. A carryover of a contribution to a 50% limit organization must be used before contributions in the current year to organizations other than 50% limit organizations. See *Example 2*.

Example 1. Last year, you made cash contributions of $11,000 to which the 50% limit applies, but because of the limit you deducted only $10,000 and carried over $1,000 to this year. This year, your adjusted gross income is $20,000 and you made cash contributions of $9,500 to which the 50% limit applies. You can deduct $10,000 (50% of $20,000) this year. Consequently, in addition to your contribution of $9,500 for this year, you can deduct $500 of your carryover contribution from last year. You can carry over the $500 balance of your carryover from last year to next year.

Example 2. This year, your adjusted gross income is $24,000. You make cash contributions of $6,000 to which the 50% limit applies and $3,000 to which the 30% limit applies. You have a contribution carryover from last year of $5,000 for capital gain property contributed to a 50% limit organization and subject to the special 30% limit for contributions of capital gain property.

Your contribution deduction for this year is limited to $12,000 (50% of $24,000). Your 50% limit cash contributions of $6,000 are fully deductible.

The deduction for your 30% limit contributions of $3,000 is limited to $1,000. This is the lesser of:

1. $7,200 (30% of $24,000), or
2. $1,000 ($12,000 minus $11,000).

(The $12,000 amount is 50% of $24,000, your adjusted gross income. The $11,000 amount is the sum of your current and carryover contributions to 50% limit organizations, $6,000 + $5,000.)

The deduction for your $5,000 carryover is subject to the special 30% limit for contributions of capital gain property. This means it is limited to the smaller of:

1. $7,200 (your 30% limit), or
2. $6,000 ($12,000, your 50% limit, minus $6,000, the amount of your cash contributions to 50% limit organizations this year).

Because your $5,000 carryover is less than both $7,200 and $6,000, you can deduct it in full.

Your deduction is $12,000 ($6,000 + $1,000 + $5,000). You carry over the $2,000 balance of your 30% limit contributions for this year to next year.

Carryover of capital gain property. If you carry over contributions of capital gain property subject to the special 30% limit and you choose in the next year to use the 50% limit and take appreciation into account, you must refigure the carryover. Reduce the fair market value of the property by the appreciation and reduce that result by the amount actually deducted in the previous year.

Example. Last year, your adjusted gross income was $50,000 and you contributed capital gain property valued at $27,000 to a 50% limit organization and did not choose to use the 50% limit. Your basis in the property was $20,000. Your deduction was limited to $15,000 (30% of $50,000), and you carried over $12,000. This year, your adjusted gross income is $60,000 and you contribute capital gain property valued at $25,000 to a 50% limit organization. Your basis in the property is $24,000 and you choose to use the 50% limit. You must refigure your carryover as if you had taken appreciation into account last year as well as this year. Because the amount of your contribution last year would have been $20,000 (the property's basis) instead of the $15,000 you actually deducted, your refigured carryover is $5,000 ($20,000 – $15,000). Your total deduction this year is $29,000 (your $24,000 current contribution plus your $5,000 carryover).

Additional rules for carryovers. Special rules exist for computing carryovers if you:

- Are married in some years but not others,
- Have different spouses in different years,
- Change from a separate return to a joint return in a later year,
- Change from a joint return to a separate return in a later year,
- Have a net operating loss,
- Claim the standard deduction in a carryover year, or
- Become a widow or widower.

Because of their complexity and the limited number of taxpayers to whom these additional rules apply, they are not discussed in this publication. If you need to figure a carryover and you are in one of these situations, you may want to consult with a tax practitioner.

Records To Keep

You must keep records to prove the amount of the contributions you make during the year. The kind of records you must keep depends on the amount of your contributions and whether they are:

- Cash contributions,
- Noncash contributions, or
- Out-of-pocket expenses when donating your services.

Note. An organization generally must give you a written statement if it receives a payment from you that is more than $75 and is partly a contribution and partly for goods or services. (See *Contributions From Which You Benefit* under *Contributions You Can Deduct*, earlier.) Keep the statement for your records. It may satisfy all or part of the recordkeeping requirements explained in the following discussions.

Cash Contributions

Cash contributions include those paid by cash, check, electronic funds transfer, debit card, credit card, or payroll deduction.

You cannot deduct a cash contribution, regardless of the amount, unless you keep one of the following.

1. A bank record that shows the name of the qualified organization, the date of the contribution, and the amount of the contribution. Bank records may include:
   a. A canceled check,
   b. A bank or credit union statement, or
   c. A credit card statement.
2. A receipt (or a letter or other written communication) from the qualified organization showing the name of the organization, the date of the contribution, and the amount of the contribution.
3. The payroll deduction records described next.

Payroll deductions. If you make a contribution by payroll deduction, you must keep:

1. A pay stub, Form W-2, or other document furnished by your employer that shows the date and amount of the contribution, and
2. A pledge card or other document prepared by or for the qualified organization that shows the name of the organization.

If your employer withheld $250 or more from a single paycheck, see *Contributions of $250 or More*, next.

Contributions of $250 or More

You can claim a deduction for a contribution of $250 or more only if you have an acknowledgment of your contribution from the qualified organization or certain payroll deduction records.

If you made more than one contribution of $250 or more, you must have either a separate acknowledgment for each or one acknowledgment that lists each contribution and the date of each contribution and shows your total contributions.

Amount of contribution. In figuring whether your contribution is $250 or more, do not combine separate contributions. For example, if you

gave your church $25 each week, your weekly payments do not have to be combined. Each payment is a separate contribution.

If contributions are made by payroll deduction, the deduction from each paycheck is treated as a separate contribution.

If you made a payment that is partly for goods and services, as described earlier under *Contributions From Which You Benefit*, your contribution is the amount of the payment that is more than the value of the goods and services.

Acknowledgment. The acknowledgment must meet these tests.

1. It must be written.
2. It must include:
   a. The amount of cash you contributed,
   b. Whether the qualified organization gave you any goods or services as a result of your contribution (other than certain token items and membership benefits),
   c. A description and good faith estimate of the value of any goods or services described in (b) (other than intangible religious benefits), and
   d. A statement that the only benefit you received was an intangible religious benefit, if that was the case. The acknowledgment does not need to describe or estimate the value of an intangible religious benefit. An intangible religious benefit is a benefit that generally is not sold in commercial transactions outside a donative (gift) context. An example is admission to a religious ceremony.
3. You must get it on or before the earlier of:
   a. The date you file your return for the year you make the contribution, or
   b. The due date, including extensions, for filing the return.

If the acknowledgment does not show the date of the contribution, you must also have a bank record or receipt, as described earlier, that does show the date of the contribution. If the acknowledgment shows the date of the contribution and meets the other tests just described, you do not need any other records.

Payroll deductions. If you make a contribution by payroll deduction and your employer withholds $250 or more from a single paycheck, you must keep:

1. A pay stub, Form W-2, or other document furnished by your employer that shows the amount withheld as a contribution, and
2. A pledge card or other document prepared by or for the qualified organization that shows the name of the organization and states the organization does not provide goods or services in return for any contribution made to it by payroll deduction.

A single pledge card may be kept for all contributions made by payroll deduction regardless of amount as long as it contains all the required information.

If the pay stub, Form W-2, pledge card, or other document does not show the date of the contribution, you must have another document that does show the date of the contribution. If the pay stub, Form W-2, pledge card, or other document shows the date of the contribution, you do not need any other records except those just described in (1) and (2).

Noncash Contributions

For a contribution not made in cash, the records you must keep depend on whether your deduction for the contribution is:

1. Less than $250,
2. At least $250 but not more than $500,
3. Over $500 but not more than $5,000, or
4. Over $5,000.

Amount of deduction. In figuring whether your deduction is $500 or more, combine your claimed deductions for all similar items of property donated to any charitable organization during the year.

If you received goods or services in return, as described earlier in *Contributions From Which You Benefit*, reduce your contribution by the value of those goods or services. If you figure your deduction by reducing the fair market value of the donated property by its appreciation, as described earlier in *Giving Property That Has Increased in Value*, your contribution is the reduced amount.

Deductions of Less Than $250

If you make any noncash contribution, you must get and keep a receipt from the charitable organization showing:

1. The name of the charitable organization,
2. The date and location of the charitable contribution, and
3. A reasonably detailed description of the property.

A letter or other written communication from the charitable organization acknowledging receipt of the contribution and containing the information in (1), (2), and (3) will serve as a receipt.

You are not required to have a receipt where it is impractical to get one (for example, if you leave property at a charity's unattended drop site).

Additional records. You must also keep reliable written records for each item of contributed property. Your written records must include the following information.

1. The name and address of the organization to which you contributed.
2. The date and location of the contribution.
3. A description of the property in detail reasonable under the circumstances. For a security, keep the name of the issuer, the type of security, and whether it is regularly traded on a stock exchange or in an over-the-counter market.
4. The fair market value of the property at the time of the contribution and how you figured the fair market value. If it was determined by appraisal, you should also keep a copy of the signed appraisal.
5. The cost or other basis of the property, if you must reduce its fair market value by appreciation. Your records should also include the amount of the reduction and how you figured it. If you choose the 50% limit instead of the special 30% limit on certain capital gain property (discussed under *Capital gain property election*, earlier), you must keep a record showing the years for which you made the choice, contributions for the current year to which the choice applies, and carryovers from preceding years to which the choice applies.
6. The amount you claim as a deduction for the tax year as a result of the contribution, if you contribute less than your entire interest in the property during the tax year. Your records must include the amount you claimed as a deduction in any earlier years for contributions of other interests in this property. They must also include the name and address of each organization to which you contributed the other interests, the place where any such tangible property is located or kept, and the name of any person in possession of the property, other than the organization to which you contributed it.
7. The terms of any conditions attached to the contribution of property.

Deductions of At Least $250 But Not More Than $500

If you claim a deduction of at least $250 but not more than $500 for a noncash charitable contribution, you must get and keep an acknowledgment of your contribution from the qualified organization. If you made more than one contribution of $250 or more, you must have either a separate acknowledgment for each or one acknowledgment that shows your total contributions.

The acknowledgment must contain the information in items (1) through (3) under *Deductions of Less Than $250*, earlier, and your written records must include the information listed in that discussion under *Additional records*.

The acknowledgment must also meet these tests.

1. It must be written.
2. It must include:
   a. A description (but not necessarily the value) of any property you contributed,
   b. Whether the qualified organization gave you any goods or services as a result of your contribution (other than certain token items and membership benefits), and
   c. A description and good faith estimate of the value of any goods or services described in (b). If the only benefit you

received was an intangible religious benefit (such as admission to a religious ceremony) that generally is not sold in a commercial transaction outside the donative context, the acknowledgment must say so and does not need to describe or estimate the value of the benefit.

3. You must get it on or before the earlier of:
   a. The date you file your return for the year you make the contribution, or
   b. The due date, including extensions, for filing the return.

Deductions Over $500 But Not Over $5,000

If you claim a deduction over $500 but not over $5,000 for a noncash charitable contribution, you must have the acknowledgment and written records described under *Deductions of At Least $250 But Not More Than $500*. Your records must also include:

- How you got the property, for example, by purchase, gift, bequest, inheritance, or exchange,
- The approximate date you got the property or, if created, produced, or manufactured by or for you, the approximate date the property was substantially completed, and
- The cost or other basis, and any adjustments to the basis, of property held less than 12 months and, if available, the cost or other basis of property held 12 months or more. This requirement, however, does not apply to publicly traded securities.

If you have reasonable cause for being unable to provide information about the date you got the property or the cost basis of the property, attach a statement of explanation to your return.

Deductions Over $5,000

If you claim a deduction of over $5,000 for a noncash charitable contribution of one item or a group of similar items, you must have the acknowledgment and the written records described under *Deductions Over $500 But Not Over $5,000*. Generally, you must also obtain a qualified written appraisal of the donated property from a qualified appraiser. See *Deductions of More Than $5,000* in Publication 561 for more information.

In figuring whether your deduction is over $5,000, combine your claimed deductions for all similar items donated to any charitable organization during the year.

Qualified Conservation Contribution

If the contribution was a qualified conservation contribution, your records must also include the fair market value of the underlying property before and after the contribution and the conservation purpose furthered by the contribution.

For more information see *Qualified Conservation Contribution*, earlier, and in Publication 561.

Out-of-Pocket Expenses

If you give services to a qualified organization and have unreimbursed out-of-pocket expenses related to those services, the following two rules apply.

1. You must have adequate records to prove the amount of the expenses.
2. If any of your unreimbursed out-of-pocket expenses, considered separately, are $250 or more (for example, you pay $250 for an airline ticket to attend a convention of a qualified organization as a chosen representative), you must get an acknowledgment from the qualified organization that contains:
   a. A description of the services you provided,
   b. A statement of whether or not the organization provided you any goods or services to reimburse you for the expenses you incurred,
   c. A description and a good faith estimate of the value of any goods or services (other than intangible religious benefits) provided to reimburse you, and
   d. A statement that the only benefit you received was an intangible religious benefit, if that was the case. The acknowledgment does not need to describe or estimate the value of an intangible religious benefit (defined earlier under *Acknowledgment*).

You must get the acknowledgment on or before the earlier of:

1. The date you file your return for the year you make the contribution, or
2. The due date, including extensions, for filing the return.

Car expenses. If you claim expenses directly related to use of your car in giving services to a qualified organization, you must keep reliable written records of your expenses. Whether your records are considered reliable depends on all the facts and circumstances. Generally, they may be considered reliable if you made them regularly and at or near the time you had the expenses.

For example, your records might show the name of the organization you were serving and the dates you used your car for a charitable purpose. If you use the standard mileage rate of 14 cents a mile, your records must show the miles you drove your car for the charitable purpose. If you deduct your actual expenses, your records must show the costs of operating the car that are directly related to a charitable purpose.

See *Car expenses* under *Out-of-Pocket Expenses in Giving Services*, earlier, for the expenses you can deduct.

How To Report

Report your charitable contributions on lines 16 through 19 of Schedule A (Form 1040).

If you made noncash contributions, you may also be required to fill out parts of Form 8283. See *Noncash contributions*, later.

Cash contributions and out-of-pocket expenses. Enter your cash contributions, including out-of-pocket expenses, on Schedule A (Form 1040), line 16.

Reporting expenses for student living with you. If you claim amounts paid for a student who lives with you, as described earlier under *Expenses Paid for Student Living With You*, you must submit with your return:

1. A copy of your agreement with the organization sponsoring the student placed in your household,
2. A summary of the various items you paid to maintain the student, and
3. A statement that gives:
   a. The date the student became a member of your household,
   b. The dates of his or her full-time attendance at school, and
   c. The name and location of the school.

Noncash contributions. Enter your noncash contributions on Schedule A (Form 1040), line 17.

Total deduction over $500. If your total deduction for all noncash contributions for the year is over $500 or includes certain publicly traded securities, you must complete Section A of Form 8283, and attach it to your Form 1040. However, do not complete Section A for items you must report on Section B. See *Deduction over $5,000 for one item*, next, for the items you must report on Section B.

The IRS may disallow your deduction for noncash charitable contributions if it is more than $500 and you do not submit Form 8283 with your return.

Deduction over $5,000 for one item. You must complete Section B of Form 8283 for each item or group of items for which you claim a deduction of over $5,000. (However, if you contributed certain publicly traded securities, complete Section A instead.) In figuring whether your deduction is over $5,000, combine the claimed deductions for all similar items donated to any charitable organization during the year. The organization that received the property must complete and sign Part IV of Section B.

Vehicle donations. If you donated a car, boat, airplane, or other vehicle, you may have to attach a copy of Form 1098-C (or other statement) to your return. For details, see *Cars, Boats, and Airplanes*, earlier.

Clothing and household items not in good used condition. You must include with your return a qualified appraisal of any single donated item of clothing or any donated household item that is not in good used condition or better and for which you deduct more than $500. See *Clothing and Household Items*, earlier.

Easement on building in historic district. If you claim a deduction for a qualified conservation contribution for an easement on the exterior of a building in a registered historic district, you must include a qualified appraisal, photographs, and certain other information with your return. See *Qualified Conservation Contribution*, earlier.

Deduction over $500,000. If you claim a deduction of more than $500,000 for a contribution of property, you must attach a qualified appraisal of the property to your return. This does not apply to contributions of cash, inventory, publicly traded stock, or intellectual property.

In figuring whether your deduction is over $500,000, combine the claimed deductions for all similar items donated to any charitable organization during the year.

If you do not attach the appraisal, you cannot deduct your contribution, unless your failure to attach it is due to reasonable cause and not to willful neglect.

Form 8282. An organization must file Form 8282 if, within 3 years of receiving property for which it was required to sign a Form 8283, it sells, exchanges, consumes, or otherwise disposes of the property. The organization must also send you a copy of the form. However, the organization need not file Form 8282 to report the sale of an item if you signed a statement on Section B of Form 8283 stating that the appraised value of the item, or a specific item within a group of similar items, was $500 or less. For this purpose, all shares of nonpublicly traded stock or securities, or items that form a set (such as a collection of books written by the same author or a group of place settings), are considered to be one item.

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free help with your tax return. Free help in preparing your return is available nationwide from IRS-certified volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-moderate income, elderly, disabled, and limited English proficient taxpayers. The Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Most VITA and TCE sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. Some VITA and TCE sites provide taxpayers the opportunity to prepare their return with the assistance of an IRS-certified volunteer. To find the nearest VITA or TCE site, visit IRS.gov or call 1-800-906-9887 or 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, visit AARP's website at *www.aarp.org/money/taxaide* or call 1-888-227-7669.

For more information on these programs, go to IRS.gov and enter "VITA" in the search box.

Internet. You can access the IRS website at IRS.gov 24 hours a day, 7 days a week to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2012 refund. Go to IRS.gov and click on *Where's My Refund*. Information about your return will generally be available within 24 hours after the IRS receives your e-filed return, or 4 weeks after you mail your paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2012 tax return handy so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- *Where's My Refund?* has a new look this year! The tool will include a tracker that displays progress through three stages: (1) return received, (2) refund approved, and (3) refund sent. *Where's My Refund?* will provide an actual personalized refund date as soon as the IRS processes your tax return and approves your refund. So in a change from previous filing seasons, you won't get an estimated refund date right away. *Where's My Refund?* includes information for the most recent return filed in the current year and does not include information about amended returns.
- You can obtain a free transcript online at IRS.gov by clicking on *Order a Return or Account Transcript* under "Tools." For a transcript by phone, call 1-800-908-9946 and follow the prompts in the recorded message. You will be prompted to provide your SSN or Individual Taxpayer Identification Number (ITIN), date of birth, street address and ZIP code.
- Download forms, including talking tax forms, instructions, and publications.
- Order IRS products.
- Research your tax questions.
- Search publications by topic or keyword.
- Use the Internal Revenue Code, regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the IRS Withholding Calculator at *www.irs.gov/individuals*.
- Determine if Form 6251 (Alternative Minimum Tax— Individuals) must be filed by using our Alternative Minimum Tax (AMT) Assistant available at IRS.gov by typing *Alternative Minimum Tax Assistant* in the search box.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions (limited to 5 years). You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems most business days in IRS Taxpayer Assistance Centers (TAC). An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications. The TTY/TDD telephone number is for individuals who are deaf, hard of hearing, or have a speech disability. These individuals can also access the IRS through relay services such as the Federal Relay Service at *www.gsa.gov/fedrelay*.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Checking the status of your 2012 refund.* To check the status of your 2012 refund, call 1-800-829-1954 or 1-800-829-4477 (automated *Where's My Refund?* information 24 hours a day, 7 days a week). Information about your return will generally be available within 24 hours after the IRS receives your e-filed return, or 4 weeks after you mail your paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2012 tax return handy so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. *Where's My Refund?* will provide an actual personalized refund date as soon as the IRS processes your tax return and approves your refund. *Where's My Refund?* includes information for the most recent return filed in the current year and does not include information about amended returns.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Some products and services are available on a walk-in basis.

- *Products.* You can walk in to some post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, and city and county government offices have a collection of products available to photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue

Bulletins, and Cumulative Bulletins available for research purposes.

- *Services.* You can walk in to your local TAC most business days for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local TAC where you can talk with an IRS representative face-to-face. No appointment is necessary—just walk in. Before visiting, check www.irs.gov/localcontacts for hours of operation and services provided. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested by calling your local TAC. You can leave a message and a representative will call you back within 2 business days. All other issues will be handled without an appointment. To call your local TAC, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service.*

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Taxpayer Advocate Service. The Taxpayer Advocate Service (TAS) is your voice at the IRS. Its job is to ensure that every taxpayer is treated fairly, and that you know and understand your rights. TAS offers free help to guide you through the often-confusing process of resolving tax problems that you haven't been able to solve on your own. Remember, the worst thing you can do is nothing at all.

TAS can help if you can't resolve your problem with the IRS and:

- Your problem is causing financial difficulties for you, your family, or your business.
- You face (or your business is facing) an immediate threat of adverse action.
- You have tried repeatedly to contact the IRS but no one has responded, or the IRS has not responded to you by the date promised.

If you qualify for help, they will do everything they can to get your problem resolved. You will be assigned to one advocate who will be with you at every turn. TAS has offices in every state, the District of Columbia, and Puerto Rico. Although TAS is independent within the IRS, their advocates know how to work with the IRS to get your problems resolved. And its services are always free.

As a taxpayer, you have rights that the IRS must abide by in its dealings with you. The TAS tax toolkit at www.TaxpayerAdvocate.irs.gov can help you understand these rights.

If you think TAS might be able to help you, call your local advocate, whose number is in your phone book and on our website at www.irs.gov/advocate. You can also call the toll-free number at 1-877-777-4778. Deaf and hard of hearing individuals who have access to TTY/TDD equipment can call 1-800-829-4059. These individuals can also access the IRS through relay services such as the Federal Relay Service at www.gsa.gov/fedrelay.

TAS also handles large-scale or systemic problems that affect many taxpayers. If you know of one of these broad issues, please report it through the Systemic Advocacy Management System at www.irs.gov/advocate.

Low Income Taxpayer Clinics (LITCs). Low Income Taxpayer Clinics (LITCs) are independent from the IRS. Some clinics serve individuals whose income is below a certain level and who need to resolve a tax problem. These clinics provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. Some clinics can provide information about taxpayer rights and responsibilities in many different languages for individuals who speak English as a second language. For more information and to find a clinic near you, see the LITC page on www.irs.gov/advocate or IRS Publication 4134, *Low Income Taxpayer Clinic List.* This publication is also available by calling 1-800-TAX-FORM (1-800-829-3676) or at your local IRS office.

Free tax services. Publication 910, IRS Guide to Free Tax Services, is your guide to IRS services and resources. Learn about free tax information from the IRS, including publications, services, and education and assistance programs. The publication also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on the telephone. The majority of the information and services listed in this publication are available to you free of charge. If there is a fee associated with a resource or service, it is listed in the publication.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Links to other Internet-based tax research materials.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
  - The first release will ship the beginning of January 2013.
  - The final release will ship the beginning of March 2013.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee).

Index

To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

Department of the Treasury

Internal Revenue Service

Publication 561
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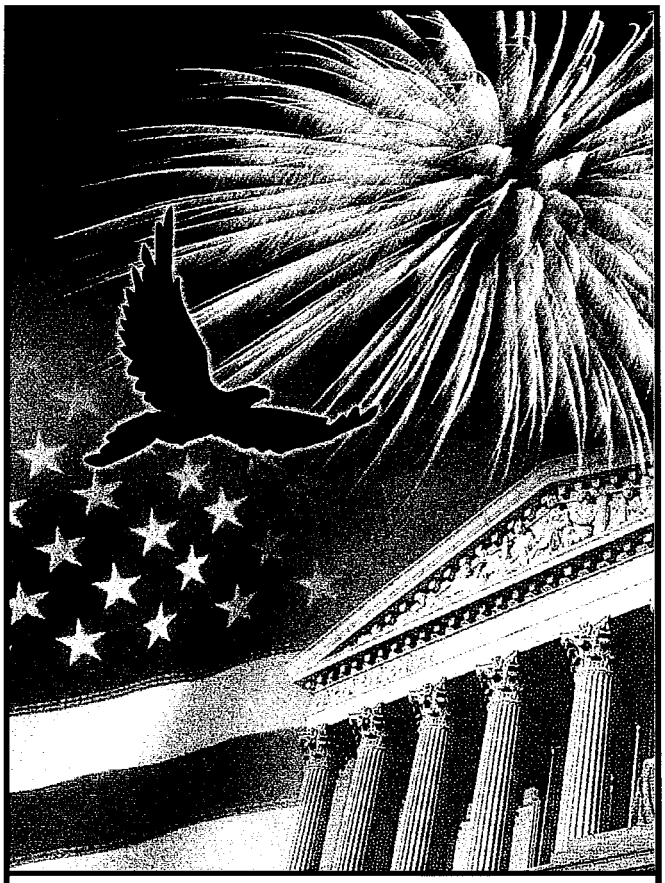
Determining the Value of Donated Property



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Contents

Introduction

This publication is designed to help donors and appraisers determine the value of property (other than cash) that is given to qualified organizations. It also explains what kind of information you must have to support the charitable contribution deduction you claim on your return.

This publication does not discuss how to figure the amount of your deduction for charitable contributions or written records and substantiation required. See Publication 526, Charitable Contributions, for this information.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6406
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

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National Distribution Center
P.O. Box 8903
Bloomington, IL 61702–8903

Tax questions. If you have a tax question, visit *www.irs.gov* or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

- ❑ **526** Charitable Contributions

Form (and Instructions)

- ❑ **8282** Donee Information Return
- ❑ **8283** Noncash Charitable Contributions
- ❑ **8283-V** Payment Voucher for Filing Fee Under Section 170(f)(13)

See *How To Get Tax Help,* near the end of this publication, for information about getting these publications and forms.

What Is Fair Market Value (FMV)?

To figure how much you may deduct for property that you contribute, you must first determine its fair market value on the date of the contribution.

Fair market value. Fair market value (FMV) is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. If you put a restriction on the use of property you donate, the FMV must reflect that restriction.

Example 1. If you give used clothing to the Salvation Army, the FMV would be the price that typical buyers actually pay for clothing of this age, condition, style, and use. Usually, such items are worth far less than what you paid for them.

Example 2. If you donate land and restrict its use to agricultural purposes, you must value the land at its value for agricultural purposes, even though it would have a higher FMV if it were not restricted.

Factors. In making and supporting the valuation of property, all factors affecting value are relevant and must be considered. These include:

- The cost or selling price of the item,
- Sales of comparable properties,
- Replacement cost, and
- Opinions of experts.

These factors are discussed later. Also, see *Table 1* for a summary of questions to ask as you consider each factor.

Date of contribution. Ordinarily, the date of a contribution is the date that the transfer of the property takes place.

Stock. If you deliver, without any conditions, a properly endorsed stock certificate to a qualified organization or to an agent of the organization, the date of the contribution is the date of delivery. If the certificate is mailed and received through the regular mail, it is the date of mailing. If you deliver the certificate to a bank or broker acting as your agent or to the issuing corporation or its agent, for transfer into the name of the organization, the date of the contribution is the date the stock is transferred on the books of the corporation.

Options. If you grant an option to a qualified organization to buy real property, you have not made a charitable contribution until the organization exercises the option. The amount of the contribution is the FMV of the property on the date the option is exercised minus the exercise price.

Example. You grant an option to a local university, which is a qualified organization, to buy real property. Under the option, the university could buy the property at any time during a 2-year period for $40,000. The FMV of the property on the date the option is granted is $50,000.

In the following tax year, the university exercises the option. The FMV of the property on the date the option is exercised is $55,000. Therefore, you have made a charitable contribution of $15,000 ($55,000, the FMV, minus $40,000, the exercise price) in the tax year the option is exercised.

Determining Fair Market Value

Determining the value of donated property would be a simple matter if you could rely only on fixed formulas, rules, or methods. Usually it is not that simple. Using such formulas, etc., seldom results in an acceptable determination of FMV. There is no single formula that always applies when determining the value of property.

This is not to say that a valuation is only guesswork. You must consider all the facts and circumstances connected with the property, such as its desirability, use, and scarcity.

For example, donated furniture should not be evaluated at some fixed rate such as 15% of the cost of new replacement furniture. When the furniture is contributed, it may be out of style or in poor condition, therefore having little or no market value. On the other hand, it may be an antique, the value of which could not be determined by using any formula.

Cost or Selling Price of the Donated Property

The cost of the property to you or the actual selling price received by the qualified organization may be the best indication of its FMV. However, because conditions in the market change, the cost or selling price of property may have less weight if the property was not bought or sold reasonably close to the date of contribution.

The cost or selling price is a good indication of the property's value if:

- The purchase or sale took place close to the valuation date in an open market,
- The purchase or sale was at "arm's-length,"
- The buyer and seller knew all relevant facts,
- The buyer and seller did not have to act, and
- The market did not change between the date of purchase or sale and the valuation date.

Example. Tom Morgan, who is not a dealer in gems, bought an assortment of gems for $5,000 from a promoter. The promoter claimed that the price was "wholesale" even though he and other dealers made similar sales at similar prices to other persons who were not dealers. The promoter said that if Tom kept the gems for more than 1 year and then gave them to charity, Tom could claim a charitable deduction of $15,000, which, according to the promoter, would be the value of the gems at the time of contribution. Tom gave the gems to a qualified charity 13 months after buying them.

The selling price for these gems had not changed from the date of purchase to the date he donated them to charity. The best evidence of FMV depends on actual transactions and not on some artificial estimate. The $5,000 charged Tom and others is, therefore, the best evidence of the maximum FMV of the gems.

Terms of the purchase or sale. The terms of the purchase or sale should be considered in determining FMV if they influenced the price. These terms include any restrictions, understandings, or covenants limiting the use or disposition of the property.

Rate of increase or decrease in value. Unless you can show that there were unusual circumstances, it is assumed that the increase or decrease in the value of your donated property from your cost has been at a reasonable rate. For time adjustments, an appraiser may consider published price indexes for information on general price trends, building costs, commodity costs, securities, and works of art sold at auction in arm's-length sales.

Example. Bill Brown bought a painting for $10,000. Thirteen months later he gave it to an art museum, claiming a charitable deduction of $15,000 on his tax return. The appraisal of the painting should include information showing that there were unusual circumstances that justify a 50% increase in value for the 13 months Bill held the property.

Table 1. **Factors That Affect FMV**

IF the factor you are considering is...	THEN you should ask these questions...
cost or selling price	Was the purchase or sale of the property reasonably close to the date of contribution? Was any increase or decrease in value, as compared to your cost, at a reasonable rate? Do the terms of purchase or sale limit what can be done with the property? Was there an arm's-length offer to buy the property close to the valuation date?
sales of comparable properties	How similar is the property sold to the property donated? How close is the date of sale to the valuation date? Was the sale at arm's-length? What was the condition of the market at the time of sale?
replacement cost	What would it cost to replace the donated property? Is there a reasonable relationship between replacement cost and FMV? Is the supply of the donated property more or less than the demand for it?
opinions of experts	Is the expert knowledgeable and competent? Is the opinion thorough and supported by facts and experience?

Arm's-length offer. An arm's-length offer to buy the property close to the valuation date may help to prove its value if the person making the offer was willing and able to complete the transaction. To rely on an offer, you should be able to show proof of the offer and the specific amount to be paid. Offers to buy property other than the donated item will help to determine value if the other property is reasonably similar to the donated property.

Sales of Comparable Properties

The sales prices of properties similar to the donated property are often important in determining the FMV. The weight to be given to each sale depends on the following.

- The degree of similarity between the property sold and the donated property.
- The time of the sale—whether it was close to the valuation date.
- The circumstances of the sale—whether it was at arm's-length with a knowledgeable buyer and seller, with neither having to act.
- The conditions of the market in which the sale was made—whether unusually inflated or deflated.

The comparable sales method of valuing real estate is explained later under *Valuation of Various Kinds of Property.*

Example 1. Mary Black, who is not a book dealer, paid a promoter $10,000 for 500 copies of a single edition of a modern translation of the Bible. The promoter had claimed that the price was considerably less than the "retail" price, and gave her a statement that the books had a total retail value of $30,000. The promoter advised her that if she kept the Bibles for more than 1 year and then gave them to a qualified organization, she could claim a charitable deduction for the "retail" price of $30,000. Thirteen months later she gave all the Bibles to a church that she selected from a list provided by the promoter. At the time of her donation, wholesale dealers were selling similar quantities of Bibles to the general public for $10,000.

The FMV of the Bibles is $10,000, the price at which similar quantities of Bibles were being sold to others at the time of the contribution.

Example 2. The facts are the same as in Example 1, except that the promoter gave Mary Black a second option. The promoter said that if Mary wanted a charitable deduction within 1 year of the purchase, she could buy the 500 Bibles at the "retail" price of $30,000, paying only $10,000 in cash and giving a promissory note for the remaining $20,000. The principal and interest on the note would not be due for 12 years. According to the promoter, Mary could then, within 1 year of the purchase, give the Bibles to a qualified organization and claim the full $30,000 retail price as a charitable contribution. She purchased the Bibles under the second option and, 3 months later, gave them to a church, which will use the books for church purposes.

At the time of the gift, the promoter was selling similar lots of Bibles for either $10,000 or $30,000. The difference between the two prices was solely at the discretion of the buyer. The promoter was a willing seller for $10,000. Therefore, the value of Mary's contribution of the Bibles is $10,000, the amount at which similar lots of Bibles could be purchased from the promoter by members of the general public.

Replacement Cost

The cost of buying, building, or manufacturing property similar to the donated item should be considered in determining FMV. However, there must be a reasonable relationship between the replacement cost and the FMV.

The replacement cost is the amount it would cost to replace the donated item on the valuation date. Often there is no relationship between the replacement cost and the FMV. If the supply of the donated property is more or less than the demand for it, the replacement cost becomes less important.

To determine the replacement cost of the donated property, find the "estimated replacement cost new." Then subtract from this figure an amount for depreciation due to the physical condition and obsolescence of the donated property. You should be able to show the relationship between the depreciated replacement cost and the FMV, as well as how you arrived at the "estimated replacement cost new."

Opinions of Experts

Generally, the weight given to an expert's opinion on matters such as the authenticity of a coin or a work of art, or the most profitable and best use of a piece of real estate, depends on the knowledge and competence of the expert and the thoroughness with which the opinion is supported by experience and facts. For an expert's opinion to deserve much weight, the facts must support the opinion. For additional information, see *Appraisals,* later.

Problems in Determining Fair Market Value

There are a number of problems in determining the FMV of donated property.

Unusual Market Conditions

The sale price of the property itself in an arm's-length transaction in an open market is often the best evidence of its value. When you rely on sales of comparable property, the sales must have been made in an open market. If those sales were made in a market that was artificially supported or stimulated so as not to be truly representative, the prices at which the sales were made will not indicate the FMV.

For example, liquidation sale prices usually do not indicate the FMV. Also, sales of stock under unusual circumstances, such as sales of small lots, forced sales, and sales in a restricted market, may not represent the FMV.

Selection of Comparable Sales

Using sales of comparable property is an important method for determining the FMV of donated property. However, the amount of weight given to a sale depends on the degree of similarity between the comparable and the donated properties. The degree of similarity must be close enough so that this selling price would

have been given consideration by reasonably well-informed buyers or sellers of the property.

Example. You give a rare, old book to your former college. The book is a third edition and is in poor condition because of a missing back cover. You discover that there was a sale for $300, near the valuation date, of a first edition of the book that was in good condition. Although the contents are the same, the books are not at all similar because of the different editions and their physical condition. Little consideration would be given to the selling price of the $300 property by knowledgeable buyers or sellers.

Future Events

You may not consider unexpected events happening after your donation of property in making the valuation. You may consider only the facts known at the time of the gift, and those that could be reasonably expected at the time of the gift.

Example. You give farmland to a qualified charity. The transfer provides that your mother will have the right to all income and full use of the property for her life. Even though your mother dies 1 week after the transfer, the value of the property on the date it is given is its present value, subject to the life interest as estimated from actuarial tables. You may not take a higher deduction because the charity received full use and possession of the land only 1 week after the transfer.

Using Past Events to Predict the Future

A common error is to rely too much on past events that do not fairly reflect the probable future earnings and FMV.

Example. You give all your rights in a successful patent to your favorite charity. Your records show that before the valuation date there were three stages in the patent's history of earnings. First, there was rapid growth in earnings when the invention was introduced. Then, there was a period of high earnings when the invention was being exploited. Finally, there was a decline in earnings when competing inventions were introduced. The entire history of earnings may be relevant in estimating the future earnings. However, the appraiser must not rely too much on the stage of rapid growth in earnings, or of high earnings. The market conditions at those times do not represent the condition of the market at the valuation date. What is most significant is the trend of decline in earnings up to the valuation date. For more information about donations of patents, see *Patents,* later.

Valuation of Various Kinds of Property

This section contains information on determining the FMV of ordinary kinds of donated property. For information on appraisals, see *Appraisals,* later.

Household Goods

The FMV of used household goods, such as furniture, appliances, and linens, is usually much lower than the price paid when new. Such used property may have little or no market value because of its worn condition. It may be out of style or no longer useful.

You cannot take a deduction for household goods donated after August 17, 2006, unless they are in good used condition or better. A household good that is not in good used condition or better for which you take a deduction of more than $500 requires a qualified appraisal. See *Deduction over $500 for certain clothing or household items,* later.

If the property is valuable because it is old or unique, see the discussion under *Paintings, Antiques, and Other Objects of Art.*

Used Clothing

Used clothing and other personal items are usually worth far less than the price you paid for them. Valuation of items of clothing does not lend itself to fixed formulas or methods.

The price that buyers of used items actually pay in used clothing stores, such as consignment or thrift shops, is an indication of the value.

You cannot take a deduction for clothing donated after August 17, 2006, unless it is in good used condition or better. An item of clothing that is not in good used condition or better for which you take a deduction of more than $500 requires a qualified appraisal. See *Deduction over $500 for certain clothing or household items,* later.

For valuable furs or very expensive gowns, a Form 8283 may have to be sent with your tax return.

Jewelry and Gems

Jewelry and gems are of such a specialized nature that it is almost always necessary to get an appraisal by a specialized jewelry appraiser. The appraisal should describe, among other things, the style of the jewelry, the cut and setting of the gem, and whether it is now in fashion. If not in fashion, the possibility of having the property redesigned, recut, or reset should be reported in the appraisal. The stone's coloring, weight, cut, brilliance, and flaws should be reported and analyzed. Sentimental personal value has no effect on FMV. But if the jewelry was owned by a famous person, its value might increase.

Paintings, Antiques, and Other Objects of Art

Your deduction for contributions of paintings, antiques, and other objects of art, should be supported by a written appraisal from a qualified and reputable source, unless the deduction is $5,000 or less. Examples of information that should be included in appraisals of art objects—paintings in particular—are found later under *Qualified Appraisal.*

Art valued at $20,000 or more. If you claim a deduction of $20,000 or more for donations of art, you must attach a complete copy of the signed appraisal to your return. For individual objects valued at $20,000 or more, a photograph of a size and quality fully showing the object, preferably an 8 x 10 inch color photograph or a color transparency no smaller than 4 x 5 inches, must be provided upon request.

Art valued at $50,000 or more. If you donate an item of art that has been appraised at $50,000 or more, you can request a Statement of Value for that item from the IRS. You must request the statement before filing the tax return that reports the donation. Your request must include the following.

- A copy of a qualified appraisal of the item. See *Qualified Appraisal,* later.
- A $2,500 check or money order payable to the Internal Revenue Service for the user fee that applies to your request regarding one, two, or three items of art. Add $250 for each item in excess of three.
- A completed Form 8283, Section B.
- The location of the IRS territory that has examination responsibility for your return.

If your request lacks essential information, you will be notified and given 30 days to provide the missing information.

Send your request to:

Internal Revenue Service
Attention: Art Appraisal (C:AP:ART)
P.O. Box 27720
McPherson Station
Washington, DC 20038

Refunds. You can withdraw your request for a Statement of Value at any time before it is issued. However, the IRS will not refund the user fee if you do.

If the IRS declines to issue a Statement of Value in the interest of efficient tax administration, the IRS will refund the user fee.

Authenticity. The authenticity of the donated art must be determined by the appraiser.

Physical condition. Important items in the valuation of antiques and art are physical condition and extent of restoration. These have a significant effect on the value and must be fully reported in an appraisal. An antique in damaged condition, or lacking the "original brasses," may be worth much less than a similar piece in excellent condition.

Art appraisers. More weight will usually be given to an appraisal prepared by an individual specializing in the kind and price range of the art being appraised. Certain art dealers or appraisers specialize, for example, in old masters, modern art, bronze sculpture, etc. Their opinions on the authenticity and desirability of such art would usually be given more weight than the opinions of more generalized art dealers or appraisers. They can report more recent comparable sales to support their opinion.

To identify and locate experts on unique, specialized items or collections, you may wish to use the current Official Museum Directory of the American Association of Museums. It lists museums both by state and by category.

To help you locate a qualified appraiser for your donation, you may wish to ask an art historian at a nearby college or the director or curator of a local museum. The Yellow Pages often list

specialized art and antique dealers, auctioneers, and art appraisers. You may be able to find a qualified appraiser on the Internet. You may also contact associations of dealers for guidance.

Collections

Since many kinds of hobby collections may be the subject of a charitable donation, it is not possible to discuss all of the possible collectibles in this publication. Most common are rare books, autographs, sports memorabilia, dolls, manuscripts, stamps, coins, guns, phonograph records, and natural history items. Many of the elements of valuation that apply to paintings and other objects of art, discussed earlier, also apply to miscellaneous collections.

Reference material. Publications available to help you determine the value of many kinds of collections include catalogs, dealers' price lists, and specialized hobby periodicals. When using one of these price guides, you must use the current edition at the date of contribution. However, these sources are not always reliable indicators of FMV and should be supported by other evidence.

For example, a dealer may sell an item for much less than is shown on a price list, particularly after the item has remained unsold for a long time. The price an item sold for in an auction may have been the result of a rigged sale or a mere bidding duel. The appraiser must analyze the reference material, and recognize and make adjustments for misleading entries. If you are donating a valuable collection, you should get an appraisal. If your donation appears to be of little value, you may be able to make a satisfactory valuation using reference materials available at a state, city, college, or museum library.

Stamp collections. Most libraries have catalogs or other books that report the publisher's estimate of values. Generally, two price levels are shown for each stamp: the price postmarked and the price not postmarked. Stamp dealers generally know the value of their merchandise and are able to prepare satisfactory appraisals of valuable collections.

Coin collections. Many catalogs and other reference materials show the writer's or publisher's opinion of the value of coins on or near the date of the publication. Like many other collectors' items, the value of a coin depends on the demand for it, its age, and its rarity. Another important factor is the coin's condition. For example, there is a great difference in the value of a coin that is in mint condition and a similar coin that is only in good condition.

Catalogs usually establish a category for coins, based on their physical condition—mint or uncirculated, extremely fine, very fine, fine, very good, good, fair, or poor—with a different valuation for each category.

Books. The value of books is usually determined by selecting comparable sales and adjusting the prices according to the differences between the comparable sales and the item being evaluated. This is difficult to do and, except for a collection of little value, should be done by a specialized appraiser. Within the general category of literary property, there are dealers who specialize in certain areas, such as Americana, foreign imports, Bibles, and scientific books.

Modest value of collection. If the collection you are donating is of modest value, not requiring a written appraisal, the following information may help you in determining the FMV.

A book that is very old, or very rare, is not necessarily valuable. There are many books that are very old or rare, but that have little or no market value.

Condition of book. The condition of a book may have a great influence on its value. Collectors are interested in items that are in fine, or at least good, condition. When a book has a missing page, a loose binding, tears, stains, or is otherwise in poor condition, its value is greatly lowered.

Other factors. Some other factors in the valuation of a book are the kind of binding (leather, cloth, paper), page edges, and illustrations (drawings and photographs). Collectors usually want first editions of books. However, because of changes or additions, other editions are sometimes worth as much as, or more than, the first edition.

Manuscripts, autographs, diaries, and similar items. When these items are handwritten, or at least signed by famous people, they are often in demand and are valuable. The writings of unknowns also may be of value if they are of unusual historical or literary importance. Determining the value of such material is difficult. For example, there may be a great difference in value between two diaries that were kept by a famous person—one kept during childhood and the other during a later period in his or her life. The appraiser determines a value in these cases by applying knowledge and judgment to such factors as comparable sales and conditions.

Signatures. Signatures, or sets of signatures, that were cut from letters or other papers usually have little or no value. But complete sets of the signatures of U.S. presidents are in demand.

Cars, Boats, and Aircraft

If you donate a car, a boat, or an aircraft to a charitable organization, its FMV must be determined.

Certain commercial firms and trade organizations publish monthly or seasonal guides for different regions of the country, containing complete dealer sale prices or dealer average prices for recent model years. Prices are reported for each make, model, and year. These guides also provide estimates for adjusting for unusual equipment, unusual mileage, and physical condition. The prices are not "official," and these publications are not considered an appraisal of any specific donated property. But they do provide clues for making an appraisal and suggest relative prices for comparison with current sales and offerings in your area.

These publications are sometimes available from public libraries or at a bank, credit union, or finance company. You can also find pricing information about used cars on the Internet.

An acceptable measure of the FMV of a donated car, boat, or airplane is an amount not in excess of the price listed in a used vehicle pricing guide for a private party sale, not the dealer retail value, of a similar vehicle. However, the FMV may be less than that amount if the vehicle has engine trouble, body damage, high mileage, or any type of excessive wear. The FMV of a donated vehicle is the same as the price listed in a used vehicle pricing guide for a private party sale only if the guide lists a sales price for a vehicle that is the same make, model, and year, sold in the same area, in the same condition, with the same or similar options or accessories, and with the same or similar warranties as the donated vehicle.

Example. You donate a used car in poor condition to a local high school for use by students studying car repair. A used car guide shows the dealer retail value for this type of car in poor condition is $1,600. However, the guide shows the price for a private party sale of the car is only $750. The FMV of the car is considered to be no more than $750.

Boats. Except for inexpensive small boats, the valuation of boats should be based on an appraisal by a marine surveyor because the physical condition is so critical to the value.

More information. Your deduction for a donated car, boat, or airplane generally is limited to the gross proceeds from its sale by the qualified organization. This rule applies if the claimed value of the donated vehicle is more than $500. In certain cases, you can deduct the vehicle's FMV. For details, see Publication 526.

Inventory

If you donate any inventory item to a charitable organization, the amount of your deductible contribution generally is the FMV of the item, minus any gain you would have realized if you had sold the item at its FMV on the date of the gift. For more information, see Publication 526.

Patents

To determine the FMV of a patent, you must take into account, among other factors:

- Whether the patented technology has been made obsolete by other technology;
- Any restrictions on the donee's use of, or ability to transfer, the patented technology; and
- The length of time remaining before the patent expires.

However, your deduction for a donation of a patent or other intellectual property is its FMV, minus any gain you would have realized if you had sold the property at its FMV on the date of the gift. Generally, this means your deduction is the lesser of the property's FMV or its basis. For details, see Publication 526.

Stocks and Bonds

The value of stocks and bonds is the FMV of a share or bond on the valuation date. See *Date of contribution,* earlier, under *What Is Fair Market Value (FMV).*

Selling prices on valuation date. If there is an active market for the contributed stocks or bonds on a stock exchange, in an

over-the-counter market, or elsewhere, the FMV of each share or bond is the average price between the highest and lowest quoted selling prices on the valuation date. For example, if the highest selling price for a share was $11, and the lowest $9, the average price is $10. You get the average price by adding $11 and $9 and dividing the sum by 2.

No sales on valuation date. If there were no sales on the valuation date, but there were sales within a reasonable period before and after the valuation date, you determine FMV by taking the average price between the highest and lowest sales prices on the nearest date before and on the nearest date after the valuation date. Then you weight these averages in inverse order by the respective number of trading days between the selling dates and the valuation date.

Example. On the day you gave stock to a qualified organization, there were no sales of the stock. Sales of the stock nearest the valuation date took place two trading days before the valuation date at an average selling price of $10 and three trading days after the valuation date at an average selling price of $15. The FMV on the valuation date was $12, figured as follows:

[(3 x $10) + (2 x $15)] ÷ 5 = $12

Listings on more than one stock exchange. Stocks or bonds listed on more than one stock exchange are valued based on the prices of the exchange on which they are principally dealt. This applies if these prices are published in a generally available listing or publication of general circulation. If this is not applicable, and the stocks or bonds are reported on a composite listing of combined exchanges in a publication of general circulation, use the composite list. See also *Unavailable prices or closely held corporation,* later.

Bid and asked prices on valuation date. If there were no sales within a reasonable period before and after the valuation date, the FMV is the average price between the bona fide bid and asked prices on the valuation date.

Example. Although there were no sales of Blue Corporation stock on the valuation date, bona fide bid and asked prices were available on that date of $14 and $16, respectively. The FMV is $15, the average price between the bid and asked prices.

No prices on valuation date. If there were no prices available on the valuation date, you determine FMV by taking the average prices between the bona fide bid and asked prices on the closest trading date before and after the valuation date. Both dates must be within a reasonable period. Then you weight these averages in inverse order by the respective number of trading days between the bid and asked dates and the valuation date.

Example. On the day you gave stock to a qualified organization, no prices were available. Bona fide bid and asked prices 3 days before the valuation date were $10 and 2 days after the valuation date were $15. The FMV on the valuation date is $13, figured as follows:

[(2 x $10) + (3 x $15)] ÷ 5 = $13

Prices only before or after valuation date, but not both. If no selling prices or bona fide bid and asked prices are available on a date within a reasonable period before the valuation date, but are available on a date within a reasonable period after the valuation date, or vice versa, then the average price between the highest and lowest of such available prices may be treated as the value.

Large blocks of stock. When a large block of stock is put on the market, it may lower the selling price of the stock if the supply is greater than the demand. On the other hand, market forces may exist that will afford higher prices for large blocks of stock. Because of the many factors to be considered, determining the value of large blocks of stock usually requires the help of experts specializing in underwriting large quantities of securities, or in trading in the securities of the industry of which the particular company is a part.

Unavailable prices or closely held corporation. If selling prices or bid and asked prices are not available, or if securities of a closely held corporation are involved, determine the FMV by considering the following factors.

- For bonds, the soundness of the security, the interest yield, the date of maturity, and other relevant factors.
- For shares of stock, the company's net worth, prospective earning power and dividend-paying capacity, and other relevant factors.

Other factors. Other relevant factors include:

- The nature and history of the business, especially its recent history,
- The goodwill of the business,
- The economic outlook in the particular industry,
- The company's position in the industry, its competitors, and its management, and
- The value of securities of corporations engaged in the same or similar business.

For preferred stock, the most important factors are its yield, dividend coverage, and protection of its liquidation preference.

You should keep complete financial and other information on which the valuation is based. This includes copies of reports of examinations of the company made by accountants, engineers, or any technical experts on or close to the valuation date.

Restricted securities. Some classes of stock cannot be traded publicly because of restrictions imposed by the Securities and Exchange Commission, or by the corporate charter or a trust agreement. These restricted securities usually trade at a discount in relation to freely traded securities.

To arrive at the FMV of restricted securities, factors that you must consider include the resale provisions found in the restriction agreements, the relative negotiating strengths of the buyer and seller, and the market experience of freely traded securities of the same class as the restricted securities.

Real Estate

Because each piece of real estate is unique and its valuation is complicated, a detailed appraisal by a professional appraiser is necessary.

The appraiser must be thoroughly trained in the application of appraisal principles and theory. In some instances the opinions of equally qualified appraisers may carry unequal weight, such as when one appraiser has a better knowledge of local conditions.

The appraisal report must contain a complete description of the property, such as street address, legal description, and lot and block number, as well as physical features, condition, and dimensions. The use to which the property is put, zoning and permitted uses, and its potential use for other higher and better uses are also relevant.

In general, there are three main approaches to the valuation of real estate. An appraisal may require the combined use of two or three methods rather than one method only.

1. Comparable Sales

The comparable sales method compares the donated property with several similar properties that have been sold. The selling prices, after adjustments for differences in date of sale, size, condition, and location, would then indicate the estimated FMV of the donated property.

If the comparable sales method is used to determine the value of unimproved real property (land without significant buildings, structures, or any other improvements that add to its value), the appraiser should consider the following factors when comparing the potential comparable property and the donated property:

- Location, size, and zoning or use restrictions,
- Accessibility and road frontage, and available utilities and water rights,
- Riparian rights (right of access to and use of the water by owners of land on the bank of a river) and existing easements, rights-of-way, leases, etc.,
- Soil characteristics, vegetative cover, and status of mineral rights, and
- Other factors affecting value.

For each comparable sale, the appraisal must include the names of the buyer and seller, the deed book and page number, the date of sale and selling price, a property description, the amount and terms of mortgages, property surveys, the assessed value, the tax rate, and the assessor's appraised FMV.

The comparable selling prices must be adjusted to account for differences between the sale property and the donated property. Because differences of opinion may arise between appraisers as to the degree of comparability and the amount of the adjustment considered necessary for comparison purposes, an appraiser should document each item of adjustment.

Only comparable sales having the least adjustments in terms of items and/or total dollar adjustments should be considered as comparable to the donated property.

2. Capitalization of Income

This method capitalizes the net income from the property at a rate that represents a fair return on the particular investment at the particular time, considering the risks involved. The key elements are the determination of the income to be capitalized and the rate of capitalization.

3. Replacement Cost New or Reproduction Cost Minus Observed Depreciation

This method, used alone, usually does not result in a determination of FMV. Instead, it generally tends to set the upper limit of value, particularly in periods of rising costs, because it is reasonable to assume that an informed buyer will not pay more for the real estate than it would cost to reproduce a similar property. Of course, this reasoning does not apply if a similar property cannot be created because of location, unusual construction, or some other reason. Generally, this method serves to support the value determined from other methods. When the replacement cost method is applied to improved realty, the land and improvements are valued separately.

The replacement cost of a building is figured by considering the materials, the quality of workmanship, and the number of square feet or cubic feet in the building. This cost represents the total cost of labor and material, overhead, and profit. After the replacement cost has been figured, consideration must be given to the following factors:

- Physical deterioration—the wear and tear on the building itself,
- Functional obsolescence—usually in older buildings with, for example, inadequate lighting, plumbing, or heating, small rooms, or a poor floor plan, and
- Economic obsolescence—outside forces causing the whole area to become less desirable.

Interest in a Business

The FMV of any interest in a business, whether a sole proprietorship or a partnership, is the amount that a willing buyer would pay for the interest to a willing seller after consideration of all relevant factors. The relevant factors to be considered in valuing the business are:

- The FMV of the assets of the business,
- The demonstrated earnings capacity of the business, based on a review of past and current earnings, and
- The other factors used in evaluating corporate stock, if they apply.

The value of the goodwill of the business should also be taken into consideration. You should keep complete financial and other information on which you base the valuation. This includes copies of reports of examinations of the business made by accountants, engineers, or any technical experts on or close to the valuation date.

Annuities, Interests for Life or Terms of Years, Remainders, and Reversions

The value of these kinds of property is their present value, except in the case of annuities under contracts issued by companies regularly engaged in their sale. The valuation of these commercial annuity contracts and of insurance policies is discussed later under *Certain Life Insurance and Annuity Contracts.*

To determine present value, you must know the applicable interest rate and use actuarial tables.

Interest rate. The applicable interest rate varies. It is announced monthly in a news release and published in the Internal Revenue Bulletin as a Revenue Ruling. The interest rate to use is under the heading "Rate Under Section 7520" for a given month and year. You can call the IRS office at 1-800-829-1040 to obtain this rate.

Actuarial tables. You need to refer to actuarial tables to determine a qualified interest in the form of an annuity, any interest for life or a term of years, or any remainder interest to a charitable organization.

Use the valuation tables set forth in IRS Publications 1457, Actuarial Values (Book Aleph), and 1458, Actuarial Values (Book Beth). Both of these publications provide tables containing actuarial factors to be used in determining the present value of an annuity, an interest for life or for a term of years, or a remainder or reversionary interest. For qualified charitable transfers, you can use the factor for the month in which you made the contribution or for either of the 2 months preceding that month.

Publication 1457 also contains actuarial factors for computing the value of a remainder interest in a charitable remainder annuity trust and a pooled income fund. Publication 1458 contains the factors for valuing the remainder interest in a charitable remainder unitrust. You can download Publications 1457 and 1458 from *www.irs.gov.* In addition, they are available for purchase via the website of the U. S. Government Printing Office, by phone at (202) 512-1800, or by mail from the:

Superintendent of Documents
P.O. Box 371954
Pittsburgh, PA 15250-7954

Tables containing actuarial factors for transfers to pooled income funds may also be found in Income Tax Regulation 1.642(c)-6(e)(6), transfers to charitable remainder unitrusts in Regulation 1.664-4(e), and other transfers in Regulation 20.2031-7(d)(6).

Special factors. If you need a special factor for an actual transaction, you can request a letter ruling. Be sure to include the date of birth of each person the duration of whose life may affect the value of the interest. Also include copies of the relevant instruments. IRS charges a user fee for providing special factors.

For more information about requesting a ruling, see Revenue Procedure 2006-1 (or annual update), 2006-1 I.R.B. 1. Revenue Procedure 2006-1 is available at *www.irs.gov/irb/2006-01_IRB/ar06.html.*

For information on the circumstances under which a charitable deduction may be allowed for the donation of a partial interest in property not in trust, see *Partial Interest in Property Not in Trust,* later.

Certain Life Insurance and Annuity Contracts

The value of an annuity contract or a life insurance policy issued by a company regularly engaged in the sale of such contracts or policies is the amount that company would charge for a comparable contract.

But if the donee of a life insurance policy may reasonably be expected to cash the policy rather than hold it as an investment, then the FMV is the cash surrender value rather than the replacement cost.

If an annuity is payable under a combination annuity contract and life insurance policy (for example, a retirement income policy with a death benefit) and there was no insurance element when it was transferred to the charity, the policy is treated as an annuity contract.

Partial Interest in Property Not in Trust

Generally, no deduction is allowed for a charitable contribution, not made in trust, of less than your entire interest in property. However, this does not apply to a transfer of less than your entire interest if it is a transfer of:

- A remainder interest in your personal residence or farm,
- An undivided part of your entire interest in property, or
- A qualified conservation contribution.

Remainder Interest in Real Property

The amount of the deduction for a donation of a remainder interest in real property is the FMV of the remainder interest at the time of the contribution. To determine this value, you must know the FMV of the property on the date of the contribution. Multiply this value by the appropriate factor. Publications 1457 and 1458 contain these factors.

You must make an adjustment for depreciation or depletion using the factors shown in Publication 1459, Actuarial Values (Book Gimel). You can use the factors for the month in which you made the contribution or for either of the two months preceding that month. See the earlier discussion on *Annuities, Interests for Life or Terms of Years, Remainders, and Reversions.* You can download Publication 1459 from *www.irs.gov.*

For this purpose, the term "depreciable property" means any property subject to wear and tear or obsolescence, even if not used in a trade or business or for the production of income.

If the remainder interest includes both depreciable and nondepreciable property, for example a house and land, the FMV must be allocated between each kind of property at the time of the contribution. This rule also applies to

a gift of a remainder interest that includes property that is part depletable and part not depletable. Take into account depreciation or depletion only for the property that is subject to depreciation or depletion.

For more information, see section 1.170A-12 of the Income Tax Regulations.

Undivided Part of Your Entire Interest

A contribution of an undivided part of your entire interest in property must consist of a part of each and every substantial interest or right you own in the property. It must extend over the entire term of your interest in the property. For example, you are entitled to the income from certain property for your life (life estate) and you contribute 20% of that life estate to a qualified organization. You can claim a deduction for the contribution if you do not have any other interest in the property. To figure the value of a contribution involving a partial interest, see Publication 1457.

If the only interest you own in real property is a remainder interest and you transfer part of that interest to a qualified organization, see the previous discussion on valuation of a remainder interest in real property.

Qualified Conservation Contribution

A qualified conservation contribution is a contribution of a qualified real property interest to a qualified organization to be used only for conservation purposes.

Qualified organization. For purposes of a qualified conservation contribution, a qualified organization is:

- A governmental unit,
- A publicly supported charitable, religious, scientific, literary, educational, etc., organization, or
- An organization that is controlled by, and operated for the exclusive benefit of, a governmental unit or a publicly supported charity.

The organization also must have a commitment to protect the conservation purposes of the donation and must have the resources to enforce the restrictions.

Conservation purposes. Your contribution must be made only for one of the following conservation purposes.

- Preserving land areas for outdoor recreation by, or for the education of, the general public.
- Protecting a relatively natural habitat of fish, wildlife, or plants, or a similar ecosystem.
- Preserving open space, including farmland and forest land, if it yields a significant public benefit. It must be either for the scenic enjoyment of the general public or under a clearly defined federal, state, or local governmental conservation policy.
- Preserving a historically important land area or a certified historic structure. There must be some visual public access to the property. Factors used in determining the type and amount of public access required include the historical significance of the property, the remoteness or accessibility of the site, and the extent to which intrusions on the privacy of individuals living on the property would be unreasonable.

Building in registered historic district. A contribution after July 25, 2006, of a qualified real property interest that is an easement or other restriction on the exterior of a building in a registered historic district is deductible only if it meets all of the following three conditions.

1. The restriction must preserve the entire exterior of the building and must prohibit any change to the exterior of the building that is inconsistent with its historical character.
2. You and the organization receiving the contribution must enter into a written agreement certifying, that the organization is a qualified organization and that it has the resources and commitment to maintain the property as donated.
3. If you make the contribution in a tax year beginning after August 17, 2006, you must include with your return:
   a. A qualified appraisal,
   b. Photographs of the building's entire exterior, and
   c. A description of all restrictions on development of the building, such as zoning laws and restrictive covenants.

If you make this type of contribution after February 12, 2007, and claim a deduction of more than $10,000, your deduction will not be allowed unless you pay a $500 filing fee. See Form 8283-V, Payment Voucher for Filing Fee Under Section 170(f)(13), and its instructions.

Qualified real property interest. This is any of the following interests in real property.

1. Your entire interest in real estate other than a mineral interest (subsurface oil, gas, or other minerals, and the right of access to these minerals).
2. A remainder interest.
3. A restriction (granted in perpetuity) on the use that may be made of the real property.

Valuation. A qualified real property interest described in (1) should be valued in a manner that is consistent with the type of interest transferred. If you transferred all the interest in the property, the FMV of the property is the amount of the contribution. If you do not transfer the mineral interest, the FMV of the surface rights in the property is the amount of the contribution.

If you owned only a remainder interest or an income interest (life estate), see *Undivided Part of Your Entire Interest,* earlier. If you owned the entire property but transferred only a remainder interest (item (2)), see *Remainder Interest in Real Property,* earlier.

In determining the value of restrictions, you should take into account the selling price in arm's-length transactions of other properties that have comparable restrictions. If there are no comparable sales, the restrictions are valued indirectly as the difference between the FMVs of the property involved before and after the grant of the restriction.

The FMV of the property before contribution of the restriction should take into account not only current use but the likelihood that the property, without the restriction, would be developed. You should also consider any zoning, conservation, or historical preservation laws that would restrict development. Granting an easement may increase, rather than reduce, the value of property, and in such a situation no deduction would be allowed.

Example. You own 10 acres of farmland. Similar land in the area has an FMV of $2,000 an acre. However, land in the general area that is restricted solely to farm use has an FMV of $1,500 an acre. Your county wants to preserve open space and prevent further development in your area.

You grant to the county an enforceable open space easement in perpetuity on 8 of the 10 acres, restricting its use to farmland. The value of this easement is $4,000, determined as follows:

FMV of the property before granting easement:		
$2,000 × 10 acres		$20,000
FMV of the property after granting easement:		
$1,500 × 8 acres	$12,000	
$2,000 × 2 acres	4,000	16,000
Value of easement		$4,000

If you later transfer in fee your remaining interest in the 8 acres to another qualified organization, the FMV of your remaining interest is the FMV of the 8 acres reduced by the FMV of the easement granted to the first organization.

More information. For more information about qualified conservation contributions, see Publication 526.

Appraisals

Appraisals are not necessary for items of property for which you claim a deduction of $5,000 or less. (There is one exception, described next, for certain clothing and household items.) However, you generally will need an appraisal for donated property for which you claim a deduction of more than $5,000. There are exceptions. See *Deductions of More Than $5,000,* later.

The weight given an appraisal depends on the completeness of the report, the qualifications of the appraiser, and the appraiser's demonstrated knowledge of the donated property. An appraisal must give all the facts on which to base an intelligent judgment of the value of the property.

The appraisal will not be given much weight if:

- All the factors that apply are not considered,
- The opinion is not supported with facts, such as purchase price and comparable sales, or

- The opinion is not consistent with known facts.

The appraiser's opinion is never more valid than the facts on which it is based; without these facts it is simply a guess.

The opinion of a person claiming to be an expert is not binding on the Internal Revenue Service. All facts associated with the donation must be considered.

Deduction over $500 for certain clothing or household items. You must include with your return a qualified appraisal of any single item of clothing or any household item that is not in good used condition or better, that you donated after August 17, 2006, and for which you deduct more than $500. See *Household Goods* and *Used Clothing*, earlier.

Cost of appraisals. You may not take a charitable contribution deduction for fees you pay for appraisals of your donated property. However, these fees may qualify as a miscellaneous deduction, subject to the 2% limit, on Schedule A (Form 1040) if paid to determine the amount allowable as a charitable contribution.

Deductions of More Than $5,000

Generally, if the claimed deduction for an item or group of similar items of donated property is more than $5,000, you must get a qualified appraisal made by a qualified appraiser, and you must attach Section B of Form 8283 to your tax return. There are exceptions, discussed later. You should keep the appraiser's report with your written records. Records are discussed in Publication 526.

The phrase "similar items" means property of the same generic category or type (whether or not donated to the same donee), such as stamp collections, coin collections, lithographs, paintings, photographs, books, nonpublicly traded stock, nonpublicly traded securities other than nonpublicly traded stock, land, buildings, clothing, jewelry, furniture, electronic equipment, household appliances, toys, everyday kitchenware, china, crystal, or silver. For example, if you give books to three schools and you deduct $2,000, $2,500, and $900, respectively, your claimed deduction is more than $5,000 for these books. You must get a qualified appraisal of the books and for each school you must attach a fully completed Form 8283, Section B, to your tax return.

Exceptions. You do not need an appraisal if the property is:

- Nonpublicly traded stock of $10,000 or less,
- A vehicle (including a car, boat, or airplane) for which your deduction is limited to the gross proceeds from its sale,
- Qualified intellectual property, such as a patent,
- Certain publicly traded securities described next,
- Inventory and other property donated by a corporation that are "qualified contributions" for the care of the ill, the needy, or infants, within the meaning of section 170(e)(3)(A) of the Internal Revenue Code, or
- Stock in trade, inventory, or property held primarily for sale to customers in the ordinary course of your trade or business.

Although an appraisal is not required for the types of property just listed, you must provide certain information about a donation of any of these types of property on Form 8283.

Publicly traded securities. Even if your claimed deduction is more than $5,000, neither a qualified appraisal nor Section B of Form 8283 is required for publicly traded securities that are:

- Listed on a stock exchange in which quotations are published on a daily basis,
- Regularly traded in a national or regional over-the-counter market for which published quotations are available, or
- Shares of an open-end investment company (mutual fund) for which quotations are published on a daily basis in a newspaper of general circulation throughout the United States.

Publicly traded securities that meet these requirements must be reported on Form 8283, Section A.

A qualified appraisal is not required, but Form 8283, Section B, Parts I and IV, must be completed, for an issue of a security that does not meet the requirements just listed but does meet these requirements:

1. The issue is regularly traded during the computation period (defined later) in a market for which there is an "interdealer quotation system" (defined later),
2. The issuer or agent computes the "average trading price" (defined later) for the same issue for the computation period,
3. The average trading price and total volume of the issue during the computation period are published in a newspaper of general circulation throughout the United States, not later than the last day of the month following the end of the calendar quarter in which the computation period ends,
4. The issuer or agent keeps books and records that list for each transaction during the computation period the date of settlement of the transaction, the name and address of the broker or dealer making the market in which the transaction occurred, and the trading price and volume, and
5. The issuer or agent permits the Internal Revenue Service to review the books and records described in item (4) with respect to transactions during the computation period upon receiving reasonable notice.

An interdealer quotation system is any system of general circulation to brokers and dealers that regularly disseminates quotations of obligations by two or more identified brokers or dealers who are not related to either the issuer or agent who computes the average trading price of the security. A quotation sheet prepared and distributed by a broker or dealer in the regular course of business and containing only quotations of that broker or dealer is not an interdealer quotation system.

The average trading price is the average price of all transactions (weighted by volume), other than original issue or redemption transactions, conducted through a United States office of a broker or dealer who maintains a market in the issue of the security during the computation period. Bid and asked quotations are not taken into account.

The computation period is weekly during October through December and monthly during January through September. The weekly computation periods during October through December begin with the first Monday in October and end with the first Sunday following the last Monday in December.

Nonpublicly traded stock. If you contribute nonpublicly traded stock, for which you claim a deduction of $10,000 or less, a qualified appraisal is not required. However, you must attach Form 8283 to your tax return, with Section B, Parts I and IV, completed.

Deductions of More Than $500,000

If you claim a deduction of more than $500,000 for a donation of property, you must attach a qualified appraisal of the property to your return. This does not apply to contributions of cash, inventory, publicly traded stock, or intellectual property.

If you do not attach the appraisal, you cannot deduct your contribution, unless your failure to attach the appraisal is due to reasonable cause and not to willful neglect.

Qualified Appraisal

Generally, if the claimed deduction for an item or group of similar items of donated property is more than $5,000, you must get a qualified appraisal made by a qualified appraiser. You must also complete Form 8283, Section B, and attach it to your tax return. See *Deductions of More Than $5,000,* earlier.

A qualified appraisal is an appraisal document that:

- Is made, signed, and dated by a qualified appraiser (defined later) in accordance with generally accepted appraisal standards,
- Meets the relevant requirements of Regulations section 1.170A-13(c)(3) and Notice 2006-96, 2006-46 I.R.B. 902 (available at *www.irs.gov/irb/2006-46_IRB/ar13.html*),
- Relates to an appraisal made not earlier than 60 days before the date of contribution of the appraised property,
- Does not involve a prohibited appraisal fee, and
- Includes certain information (covered later).

You must receive the qualified appraisal before the due date, including extensions, of the return on which a charitable contribution deduction is first claimed for the donated property. If the deduction is first claimed on an amended return, the qualified appraisal must be received

before the date on which the amended return is filed.

Form 8283, Section B, must be attached to your tax return. Generally, you do not need to attach the qualified appraisal itself, but you should keep a copy as long as it may be relevant under the tax law. There are four exceptions.

- If you claim a deduction of $20,000 or more for donations of art, you must attach a complete copy of the appraisal. See *Paintings, Antiques, and Other Objects of Art,* earlier.
- If you claim a deduction of more than $500,000 for a donation of property, you must attach the appraisal. See *Deductions of More Than $500,000,* earlier.
- If you claim a deduction of more than $500 for an article of clothing, or a household item, that is not in good used condition or better, that you donated after August 17, 2006, you must attach the appraisal. See *Deduction over $500 for certain clothing or household items*, earlier.
- If you claim a deduction in a tax year beginning after August 17, 2006, for an easement or other restriction on the exterior of a building in a historic district, you must attach the appraisal. See *Building in registered historic district*, earlier.

Prohibited appraisal fee. Generally, no part of the fee arrangement for a qualified appraisal can be based on a percentage of the appraised value of the property. If a fee arrangement is based on what is allowed as a deduction, after Internal Revenue Service examination or otherwise, it is treated as a fee based on a percentage of appraised value. However, appraisals are not disqualified when an otherwise prohibited fee is paid to a generally recognized association that regulates appraisers if:

- The association is not organized for profit and no part of its net earnings benefits any private shareholder or individual,
- The appraiser does not receive any compensation from the association or any other persons for making the appraisal, and
- The fee arrangement is not based in whole or in part on the amount of the appraised value that is allowed as a deduction after an Internal Revenue Service examination or otherwise.

Information included in qualified appraisal. A qualified appraisal must include the following information:

1. A description of the property in sufficient detail for a person who is not generally familiar with the type of property to determine that the property appraised is the property that was (or will be) contributed,
2. The physical condition of any tangible property,
3. The date (or expected date) of contribution,
4. The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor that relates to the use, sale, or other disposition of the donated property, including, for example, the terms of any agreement or understanding that:
   a. Temporarily or permanently restricts a donee's right to use or dispose of the donated property,
   b. Earmarks donated property for a particular use, or
   c. Reserves to, or confers upon, anyone (other than a donee organization or an organization participating with a donee organization in cooperative fundraising) any right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having the income, possession, or right to acquire the property,
5. The name, address, and taxpayer identification number of the qualified appraiser and, if the appraiser is a partner, an employee, or an independent contractor engaged by a person other than the donor, the name, address, and taxpayer identification number of the partnership or the person who employs or engages the appraiser,
6. The qualifications of the qualified appraiser who signs the appraisal, including the appraiser's background, experience, education, and any membership in professional appraisal associations,
7. A statement that the appraisal was prepared for income tax purposes,
8. The date (or dates) on which the property was valued,
9. The appraised FMV on the date (or expected date) of contribution,
10. The method of valuation used to determine FMV, such as the income approach, the comparable sales or market data approach, or the replacement cost less depreciation approach, and
11. The specific basis for the valuation, such as any specific comparable sales transaction.

Art objects. The following are examples of information that should be included in a description of donated property. These examples are for art objects. A similar detailed breakdown should be given for other property. Appraisals of art objects—paintings in particular—should include all of the following.

1. A complete description of the object, indicating the:
   a. Size,
   b. Subject matter,
   c. Medium,
   d. Name of the artist (or culture), and
   e. Approximate date created.
2. The cost, date, and manner of acquisition.
3. A history of the item, including proof of authenticity.
4. A professional quality image of the object.
5. The facts on which the appraisal was based, such as:
   a. Sales or analyses of similar works by the artist, particularly on or around the valuation date.
   b. Quoted prices in dealer's catalogs of the artist's works or works of other artists of comparable stature.
   c. A record of any exhibitions at which the specific art object had been displayed.
   d. The economic state of the art market at the time of valuation, particularly with respect to the specific property.
   e. The standing of the artist in his profession and in the particular school or time period.

Number of qualified appraisals. A separate qualified appraisal is required for each item of property that is not included in a group of similar items of property. You need only one qualified appraisal for a group of similar items of property contributed in the same tax year, but you may get separate appraisals for each item. A qualified appraisal for a group of similar items must provide all of the required information for each item of similar property. The appraiser, however, may provide a group description for selected items the total value of which is not more than $100.

Qualified appraiser. A qualified appraiser is an individual who meets all the following requirements.

1. The individual either:
   a. Has earned an appraisal designation from a recognized professional appraiser organization for demonstrated competency in valuing the type of property being appraised, or
   b. Has met certain minimum education and experience requirements. For real property, the appraiser must be licensed or certified for the type of property being appraised in the state in which the property is located. For property other than real property, the appraiser must have successfully completed college or professional-level coursework relevant to the property being valued, must have at least 2 years of experience in the trade or business of buying, selling, or valuing the type of property being valued, and must fully describe in the appraisal his or her qualifying education and experience.
2. The individual regularly prepares appraisals for which he or she is paid.
3. The individual demonstrates verifiable education and experience in valuing the type of property being appraised. To do this, the appraiser can make a declaration in the

appraisal that, because of his or her background, experience, education, and membership in professional associations, he or she is qualified to make appraisals of the type of property being valued.

4. The individual has not been prohibited from practicing before the IRS under section 330(c) of title 31 of the United States Code at any time during the 3-year period ending on the date of the appraisal.
5. The individual is not an excluded individual.

In addition, the appraiser must complete Form 8283, Section B, Part III. More than one appraiser may appraise the property, provided that each complies with the requirements, including signing the qualified appraisal and Form 8283, Section B, Part III.

Excluded individuals. The following persons cannot be qualified appraisers with respect to particular property.

1. The donor of the property, or the taxpayer who claims the deduction.
2. The donee of the property.
3. A party to the transaction in which the donor acquired the property being appraised, unless the property is donated within 2 months of the date of acquisition and its appraised value is not more than its acquisition price. This applies to the person who sold, exchanged, or gave the property to the donor, or any person who acted as an agent for the transferor or donor in the transaction.
4. Any person employed by any of the above persons. For example, if the donor acquired a painting from an art dealer, neither the dealer nor persons employed by the dealer can be qualified appraisers for that painting.
5. Any person related under section 267(b) of the Internal Revenue Code to any of the above persons or married to a person related under section 267(b) to any of the above persons.
6. An appraiser who appraises regularly for a person in (1), (2), or (3), and who does not perform a majority of his or her appraisals made during his or her tax year for other persons.

In addition, a person is not a qualified appraiser for a particular donation if the donor had knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the donated property. For example, if the donor and the appraiser make an agreement concerning the amount at which the property will be valued, and the donor knows that amount is more than the FMV of the property, the appraiser is not a qualified appraiser for the donation.

Appraiser penalties. An appraiser who prepares an incorrect appraisal may have to pay a penalty if:

1. The appraiser knows or should have known the appraisal would be used in connection with a return or claim for refund, and
2. The appraisal results in the 20% or 40% penalty for a valuation misstatement described later under *Penalty*.

The penalty imposed on the appraiser is the smaller of:

1. The greater of:
   a. 10% of the underpayment due to the misstatement, or
   b. $1,000, or
2. 125% of the gross income received for the appraisal.

In addition, any appraiser who falsely or fraudulently overstates the value of property described in a qualified appraisal of a Form 8283 that the appraiser has signed may be subject to a civil penalty for aiding and abetting as understatement of tax liability, and may have his or her appraisal disregarded.

Form 8283

Generally, if the claimed deduction for an item of donated property is more than $5,000, you must attach Form 8283 to your tax return and complete Section B.

If you do not attach Form 8283 to your return and complete Section B, the deduction will not be allowed unless your failure was due to reasonable cause, and not willful neglect, or was due to a good faith omission. If the IRS requests that you submit the form because you did not attach it to your return, you must comply within 90 days of the request or the deduction will be disallowed.

You must attach a separate Form 8283 for each item of contributed property that is not part of a group of similar items. If you contribute similar items of property to the same donee organization, you need attach only one Form 8283 for those items. If you contribute similar items of property to more than one donee organization, you must attach a separate form for each donee.

Internal Revenue Service Review of Appraisals

In reviewing an income tax return, the Service may accept the claimed value of the donated property, based on information or appraisals sent with the return, or may make its own determination of FMV. In either case, the Service may:

- Contact the taxpayer to get more information,
- Refer the valuation problem to a Service appraiser or valuation specialist,
- Refer the issue to the Commissioner's Art Advisory Panel (a group of dealers and museum directors who review and recommend acceptance or adjustment of taxpayers' claimed values for major paintings, sculptures, decorative arts, and antiques), or
- Contract with an independent dealer, scholar, or appraiser to appraise the property when the objects require appraisers of highly specialized experience and knowledge.

Responsibility of the Service. The Service is responsible for reviewing appraisals, but it is not responsible for making them. Supporting the FMV listed on your return is your responsibility.

The Service does not accept appraisals without question. Nor does the Service recognize any particular appraiser or organization of appraisers.

Timing of Service action. The Service generally does not approve valuations or appraisals before the actual filing of the tax return to which the appraisal applies. In addition, the Service generally does not issue advance rulings approving or disapproving such appraisals.

Exception. For a request submitted as described earlier under *Art valued at $50,000 or more,* the Service will issue a Statement of Value that can be relied on by the donor of the item of art.

Penalty

You may be liable for a penalty if you overstate the value or adjusted basis of donated property.

20% penalty. The penalty is 20% of the underpayment of tax related to the overstatement if:

- The value or adjusted basis claimed on the return is 200% (150% for returns filed after August 17, 2006) or more of the correct amount, and
- You underpaid your tax by more than $5,000 because of the overstatement.

40% penalty. The penalty is 40%, rather than 20%, if:

- The value or adjusted basis claimed on the return is 400% (200% for returns filed after August 17, 2006) or more of the correct amount, and
- You underpaid your tax by more than $5,000 because of the overstatement.

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the Taxpayer Advocate Service by calling toll-free 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write to your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, The Taxpayer Advocate Service of the IRS - How To Get Help With Unresolved Tax Problems. You can file Form 911, Application for Taxpayer Assistance Order, or ask an IRS employee to complete it on your behalf. For more information, go to *www.irs.gov/advocate*.

Low income tax clinics (LITCs). LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers with limited English proficiency or who speak English as a second language. Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at *www.irs.gov* or at your local IRS office.

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains a list of free tax publications and describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Internet. You can access the IRS website at *www.irs.gov* 24 hours a day, 7 days a week to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2006 refund. Click on *Where's My Refund*. Wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2006 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using our withholding calculator.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* To check the status of your 2006 refund, call 1-800-829-4477 and press 1 for automated refund information or call 1-800-829-1954. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your 2006 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Many products and services are available on a walk-in basis.

- *Products.* You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- *Services.* You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you're more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary, but if you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 business days after your request is received.

National Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903

CD for tax products. You can order Publication 1796, IRS Tax Products CD, and obtain:

- A CD that is released twice so you have the latest products. The first release ships in January and the final release ships in March.
- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD - Ships with the final release.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.

Buy the CD from National Technical Information Service (NTIS) at *www.irs.gov/cdorders* for

$25 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll free to buy the CD for $25 (plus a $5 handling fee). Price is subject to change.

CD for small businesses. Publication 3207, The Small Business Resource Guide CD for 2006, is a must for every small business owner or any taxpayer about to start a business. This year's CD includes:

- Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax law changes for 2006.
- Tax Map: an electronic research tool and finding aid.
- Web links to various government agencies, business associations, and IRS organizations.
- "Rate the Product" survey—your opportunity to suggest changes for future editions.
- A site map of the CD to help you navigate the pages of the CD with ease.
- An interactive "Teens in Biz" module that gives practical tips for teens about starting their own business, creating a business plan, and filing taxes.

An updated version of this CD is available each year in early April. You can get a free copy by calling 1-800-829-3676 or by visiting *www.irs.gov/smallbiz*.

Index

To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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Tax Publications for Individual Taxpayers

See *How To Get Tax Help* for a variety of ways to get publications, including by computer, phone, and mail.

General Guides

- **1** Your Rights as a Taxpayer
- **17** Your Federal Income Tax (For Individuals)
- **334** Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
- **509** Tax Calendars for 2007
- **553** Highlights of 2006 Tax Changes
- **910** IRS Guide to Free Tax Services

Specialized Publications

- **3** Armed Forces' Tax Guide
- **54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- **225** Farmer's Tax Guide
- **463** Travel, Entertainment, Gift, and Car Expenses
- **501** Exemptions, Standard Deduction, and Filing Information
- **502** Medical and Dental Expenses (Including the Health Coverage Tax Credit)
- **503** Child and Dependent Care Expenses
- **504** Divorced or Separated Individuals
- **505** Tax Withholding and Estimated Tax
- **514** Foreign Tax Credit for Individuals
- **516** U.S. Government Civilian Employees Stationed Abroad
- **517** Social Security and Other Information for Members of the Clergy and Religious Workers
- **519** U.S. Tax Guide for Aliens
- **521** Moving Expenses
- **523** Selling Your Home
- **524** Credit for the Elderly or the Disabled
- **525** Taxable and Nontaxable Income
- **526** Charitable Contributions
- **527** Residential Rental Property
- **529** Miscellaneous Deductions
- **530** Tax Information for First-Time Homeowners
- **531** Reporting Tip Income
- **536** Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
- **537** Installment Sales
- **541** Partnerships
- **544** Sales and Other Dispositions of Assets
- **547** Casualties, Disasters, and Thefts
- **550** Investment Income and Expenses
- **551** Basis of Assets
- **552** Recordkeeping for Individuals
- **554** Older Americans' Tax Guide
- **555** Community Property
- **556** Examination of Returns, Appeal Rights, and Claims for Refund
- **559** Survivors, Executors, and Administrators
- **561** Determining the Value of Donated Property
- **564** Mutual Fund Distributions
- **570** Tax Guide for Individuals With Income From U.S. Possessions
- **571** Tax-Sheltered Annuity Plans (403(b) Plans)
- **575** Pension and Annuity Income
- **584** Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
- **587** Business Use of Your Home (Including Use by Daycare Providers)
- **590** Individual Retirement Arrangements (IRAs)
- **593** Tax Highlights for U.S. Citizens and Residents Going Abroad
- **594** What You Should Know About the IRS Collection Process
- **596** Earned Income Credit (EIC)
- **721** Tax Guide to U.S. Civil Service Retirement Benefits
- **901** U.S. Tax Treaties
- **907** Tax Highlights for Persons with Disabilities
- **908** Bankruptcy Tax Guide
- **915** Social Security and Equivalent Railroad Retirement Benefits
- **919** How Do I Adjust My Tax Withholding?
- **925** Passive Activity and At-Risk Rules
- **926** Household Employer's Tax Guide
- **929** Tax Rules for Children and Dependents
- **936** Home Mortgage Interest Deduction
- **946** How To Depreciate Property
- **947** Practice Before the IRS and Power of Attorney
- **950** Introduction to Estate and Gift Taxes
- **967** The IRS Will Figure Your Tax
- **969** Health Savings Accounts and Other Tax-Favored Health Plans
- **970** Tax Benefits for Education
- **971** Innocent Spouse Relief
- **972** Child Tax Credit
- **1542** Per Diem Rates
- **1544** Reporting Cash Payments of Over $10,000 (Received in a Trade or Business)
- **1546** The Taxpayer Advocate Service of the IRS – How to Get Help With Unresolved Tax Problems

Spanish Language Publications

- **1SP** Derechos del Contribuyente
- **579SP** Cómo Preparar la Declaración de Impuesto Federal
- **594SP** Que es lo que Debemos Saber sobre el Proceso de Cobro del IRS
- **596SP** Crédito por Ingreso del Trabajo
- **850** English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- **1544SP** Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)

Commonly Used Tax Forms

See *How To Get Tax Help* for a variety of ways to get forms, including by computer, phone, and mail.

Form Number and Title

- **1040** U.S. Individual Income Tax Return
  - **Sch A&B** Itemized Deductions & Interest and Ordinary Dividends
  - **Sch C** Profit or Loss From Business
  - **Sch C-EZ** Net Profit From Business
  - **Sch D** Capital Gains and Losses
  - **Sch D-1** Continuation Sheet for Schedule D
  - **Sch E** Supplemental Income and Loss
  - **Sch EIC** Earned Income Credit
  - **Sch F** Profit or Loss From Farming
  - **Sch H** Household Employment Taxes
  - **Sch J** Income Averaging for Farmers and Fishermen
  - **Sch R** Credit for the Elderly or the Disabled
  - **Sch SE** Self-Employment Tax
- **1040A** U.S. Individual Income Tax Return
  - **Sch 1** Interest and Ordinary Dividends for Form 1040A Filers
  - **Sch 2** Child and Dependent Care Expenses for Form 1040A Filers
  - **Sch 3** Credit for the Elderly or the Disabled for Form 1040A Filers
- **1040EZ** Income Tax Return for Single and Joint Filers With No Dependents
- **1040-ES** Estimated Tax for Individuals
- **1040X** Amended U.S. Individual Income Tax Return

Form Number and Title

- **2106** Employee Business Expenses
- **2106-EZ** Unreimbursed Employee Business Expenses
- **2210** Underpayment of Estimated Tax by Individuals, Estates, and Trusts
- **2441** Child and Dependent Care Expenses
- **2848** Power of Attorney and Declaration of Representative
- **3903** Moving Expenses
- **4562** Depreciation and Amortization
- **4868** Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- **4952** Investment Interest Expense Deduction
- **5329** Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
- **6251** Alternative Minimum Tax—Individuals
- **8283** Noncash Charitable Contributions
- **8582** Passive Activity Loss Limitations
- **8606** Nondeductible IRAs
- **8812** Additional Child Tax Credit
- **8822** Change of Address
- **8829** Expenses for Business Use of Your Home
- **8863** Education Credits
- **9465** Installment Agreement Request