Qualified Charitable Deductions & What You Need to Know

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Tax law encourages charitable giving by providing incentives in the form of tax deductions against both income and estate taxes. Charitable contributions are defined as *a gift of present interest to a qualified charity.*

There are five types of organizations eligible to receive tax-deductible charitable contributions:

- Charitable Organizations – Corporations, Trust, Community Chest or Fund, or Foundations that satisfy certain requirements outlined by the IRS
- Governmental Units – The United States, a state, a U.S. possession, made exclusively for public purposes
- War Veterans' Organization
- Fraternal Associations
- Certain types of Cemetery Companies

Despite tax law encouraging charitable contributions, it is important to consider the limitations around giving. The amount deductible generally cannot exceed a percentage of the donor's income (AGI) – and that percentage varies depending on the type of gift donated:

Gift Type	Deduction Amount	Limitation
Cash	Fair Market Value (FMV)	60% of Adjusted Gross Income
Long Term Capital Gain Property	Fair Market Value (FMV)	30% of Adjusted Gross Income
Tangible Property (Related Use)*	Fair Market Value (FMV)	30% of Adjusted Gross Income
Tangible Property (Unrelated Use)*	Lesser of Basis or FMV	60% of Adjusted Gross Income

* Related use refers to property that the receiving charity uses as part of its charitable purpose. For example, gifts of art or collectibles to a museum could be considered as related use. Alternatively, donating a car to a qualified healthcare charity is deemed as unrelated use.

As you can see, there are several tax implications related to the type of gift, the beneficiary of the gift and your expected adjusted gross income, the most efficient gifting vehicle in your philanthropic efforts.

If you would like to have a conversation with an advisor about the most efficient gifting vehicles available to your philanthropic efforts, we would love to hear from you.

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