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Givers Gain - Use Charitable Giving to Your Advantage

By Gina M. Barry, Esq.

With tax season quickly approaching, could you use a break on your federal income tax return? The recent economic crisis has left the nation financially stressed and has created a greater need for charitable giving. Food pantries are empty, and homeless shelters are full. The holidays are a common time to give, but you may think that giving is just not in your budget this year. Fortunately, charitable giving provides a myriad of benefits, not the least of which may be a deduction on your federal income tax return.

In order to reap the most benefit from charitable giving, you must first choose an appropriate charity to benefit from your generosity. There are thousands of charities providing a huge variety of causes from which to choose. Perhaps preventing abuse of children or animals is a cause near and dear to your heart, or maybe your concerns center more on saving the environment or bringing awareness and funding research with respect to major illnesses that affect our population. Whatever the cause, you can be certain that there is a charity working to bring positive change in that area. Of course, the causes touched upon here are just a few examples of where your donation can make a difference.

Once you have decided that you would like to support a charitable cause, it is important to determine how you will contribute. Your donation need not be

made in cash, as there are plenty of other ways to help those in need. For example, you may have a pantry full of uneaten food. Consider filling a couple of grocery bags with this food and donating the food to your local food pantry. Likewise, children often grow out of clothes and get bored with their toys while they are still in good repair. Many charities that benefit children would be delighted to receive these clothes and toys to help the children that they serve. Similarly, when you and your old vehicle finally part ways, do not send the vehicle to a junk yard. Many charities accept any vehicle, working or not, as a donation.

When you have decided which cause you would like to help and in what manner, you are almost ready to make a donation. Be certain that the charity has received approval from the Internal Revenue Service ("IRS") as being eligible to receive tax deductible contributions. You can determine the tax exempt status of an organization either by contacting your local IRS office, or by asking the organization for a copy of its "Letter of Determination," which is the formal notification the organization receives from the IRS once its tax exempt status has been approved. Also, IRS Publication 78, Cumulative List of Organizations, is an annual listing of thousands of tax-exempt organizations to which contributions are deductible as charitable donations.

You should also be aware that donations claimed as tax deductible contributions for 2008 must be actually paid to the charity on or before December 31, 2008. While smaller donations generally do not have to be verified by a receipt, it is the best practice to always obtain a receipt for your donation regardless of the amount. An easy way to ensure that you will have the proper documentation is to make a cash gift via the internet. Donating via the internet benefits both you and the organization. Short of delivering cash to their door, an internet donation is typically the cheapest way for an organization to receive donations, as internet donations generally cost less than checks sent through the mail and credit card contributions made via the telephone.

If making a monetary contribution does not appeal to you, consider volunteering your time to your favorite cause. Nursing homes, animal shelters, hospitals and soup kitchens are all wonderful places to volunteer. While the time you volunteer is not tax deductible, any out-of-pocket expenses associated with volunteering are usually deductible. For example, travel expenses to and from the volunteer site, as well as parking fees and tolls may be deducted.

In order to claim a charitable deduction, you must itemize on your federal tax return. When you give to organizations that are public charities,

private operating foundations, or certain private foundations, you may deduct contributions representing up to 50% of your adjusted gross income. Individuals giving to organizations that are private foundations may generally deduct contributions representing up to 30% of their adjusted gross income. These deductions can result in significant savings when you pay your taxes.

With the economy in such distress, there are less and less contributions being made. As such, charities need

donations now more than ever. Charitable giving is extremely rewarding. You will not only reap the benefit of knowing that you are helping to make a difference in this world, but when tax season comes you may enjoy a beneficial tax deduction as well. When it comes to minimizing federal income taxes, givers gain.

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