

Reap the tax benefits of charitable donations

It's so customary to make charitable contributions around the holidays that some people don't even think twice about doing it. But that doesn't mean those good deeds don't reap tax benefits as well.

For starters, any charitable contribution is tax deductible up to 50 percent of your income. And you can get tax savings with noncash donations as well.

For example, there are benefits if you are stocking up at the supermarket for a food-collection truck or purchasing winter coats for a coat drive. In that case, the entire cost of a new coat is tax deductible.

If you are contributing gently worn coats or jackets and other clothing your kids outgrew, you can only deduct the thrift shop or fair market value, which is less than retail.

Other noncash donations can work as well, like cleaning out your closets and donating old clothing, books, toys, furniture and kitchen goods. All count toward your charitable contribution, as far as Uncle Sam is concerned.

"Those are great actions to take this time of year," said Kathy Pickering, executive director of H&R Block's Tax Institute.

In order to get the deduction come next April, keep a receipt of the donation, a note of the organization's name, and the date and fair market value of all noncash goods, Pickering said.

Out-of-pocket expenses, like driving, could also qualify if you volunteer for a charitable organization, like Meals on Wheels, or travel to a soup kitchen. In that case, you must keep a log when you are providing services for a charity or nonprofit so you can deduct charitable mileage at the federal rate of 14 cents per mile.

There are a few tricks, too, like avoiding capital gains tax on investments by giving stocks or other assets that have grown in value. High-income earners, in particular, should consider a noncash donation specifically because of the tax advantages, according to Scott Slabotsky, lead managing director at CBIZ in Kansas City, Missouri.

"If you are in a high tax bracket and you want to make a charitable gift, always donate appreciated assets first, over cash," Slabotsky said.

For example, if you have shares of AT&T stock (which is up more than 6 percent year to date) and donate it, you don't have to pay tax on the gain, but you will still get credit for the deduction equal to the current fair market value.

That way, "they are eliminating being taxed on the sale of the stock," said Lisa Greene-Lewis, a CPA and tax expert at TurboTax. "They won't be hit with capital gains and they get to take the deduction." (Although in the case of stocks, certain rules apply to the required holding period.)

The same goes for other appreciated assets, like artwork and antiques. Many financial institutions offer help facilitating these types of asset donations, Greene-Lewis said. And many charities are happy to accept.

<http://www.cnbc.com/2016/11/03/reap-the-tax-benefits-of-charitable-donations.html>