

New Rules for Giving to Charity

- To be deductible, clothing and household items donated to charity after Aug. 17, 2006, must be in good used condition or better. However, a taxpayer may claim a deduction of more than \$500 for any single item, regardless of its condition, if the taxpayer includes a qualified appraisal of the item with the return. Household items include furniture, furnishings, electronics, appliances, and linens.
- To deduct any charitable donation of money, taxpayers must have a bank record or a written communication from the recipient showing the name of the organization and the date and amount of the contribution. Though taxpayers are already required to keep records to support their contribution deductions, this new provision is designed to provide greater certainty, both to taxpayers and the government, in determining what may be deducted as a charitable contribution. This provision applies to contributions made in taxable years beginning after Aug. 17, 2006. For taxpayers that file returns on a calendar-year basis, including most individuals, the new provision applies to contributions made beginning in 2007.
- An IRA holder, age 70 ½ or over, can directly transfer tax-free, up to \$100,000 per year to an eligible charity. This option is available in tax years 2006 and 2007. Eligible IRA holders can take advantage of this provision, regardless of whether they itemize their deductions. Funds must be contributed directly by the IRA trustee to the eligible charity. Transferred amounts are counted in determining whether the holder has met the IRA's required minimum distribution rules.