

# Family, Home, and Job: Charitable Gifts of Property

## Filing Guide

IRS Publication 526:  
[Charitable Gifts](#)

IRS Publication 1771:  
[Charitable Contributions - Substantiation and Disclosure](#)

IRS Publication 4303:  
[A Donor's Guide to Car Donations](#)

## Tax Savers

A conservation easement is a gift of a partial interest in real estate to a publicly-supported charity or government. You can give your entire interest in the property other than mineral rights, a remainder interest, or a restriction granted in perpetuity on the use of the property. You'll need an appraisal to support the value of your gift -- the IRS is cracking down on inflated conservation easement deductions, and has made "syndicated" easement programs a "listed transaction". If your gift exceeds 50% of that year's AGI, you can carry forward the excess for up to five years, as with other gifts.

## Land Mines

Used cars and trucks have become popular charitable gifts. But Congress and the IRS have cracked down on abusive valuations.<sup>1</sup> You can deduct the vehicle's FMV only if the charity uses it for exempt purposes (such as a church using a van to drive parishioners). If the charity sells the vehicle, your deduction is limited to the charity's actual proceeds. If you claim more than \$500, you'll generally have to attach a certification to your return that states the vehicle was sold in an arm's-length sale and includes the gross proceeds from the sale.

## Sources

<sup>1</sup>IR-2003-139.

## Potential Savings

**Up to \$220 in income tax for every \$1,000 in deductible charitable gifts and donations of property.**

Many donors claim rich deductions for charitable gifts without ever spending a dime of cash. Don't overlook gifts of property and appreciated assets for valuable deductions:

- Gifts of clothing, furniture, electronics, and household items in good condition are deductible at fair-market value ("FMV"), such as the price they would bring at a resale shop. New rules let the IRS deny deductions for items with minimal value, like used socks and underwear. But in general, these deductions can be far more valuable than you realize. Consider buying software, available at any office-supply store, for tracking gifts and their value. You might be surprised how much you save!
- Gifts of life insurance are valued at the policy's cash value, plus any ongoing premiums you give to the charity.
- Deductions for remainder interests in your home or other property are determined according to the property's value, your age, and the current "Section 7520" rate (published monthly by the IRS).
- If you're selling your home or other property that includes a structure to be demolished after the sale, consider donating the structure to your local fire department for "target practice." You'll get a charitable deduction equal to the structure's FMV!

As with gifts of cash, if your gifts of property exceed a certain percentage of your AGI in a single year, you can carry forward the excess for up to five years. For gifts to public charities, the limit is 30% of your AGI; for private foundations, 20% of AGI.

Appreciated assets such as securities, real estate, and artwork that you've held for more than a year make ideal charitable gifts. Special considerations apply:

- You deduct the FMV of the gift. (For securities, FMV is the average of the high and low sale prices on the date of the donation. For real estate, artwork, and personal property, FMV is the appraised value. Deduct appraisal fees as a miscellaneous itemized deduction.)
- You avoid tax on capital gains you would pay if you sold the property then gave cash.
- If you give art or tangible personal property (books, furniture, etc.) your deduction depends on how the charity plans to use it. If the charity plans to use it for "exempt" purposes, such as displaying donated art for students to study, deduct the FMV. If the charity sells the gift, your deduction is limited to your basis or actual cost, whichever is less.