



HOW TO DEDUCT YOUR CHARITABLE CONTRIBUTION Accelerated Cure Project for Multiple Sclerosis July 2010

These instructions explain how to deduct “cash” donations (purely financial donations made via cash, check, credit card or payroll deduction), on your annual federal income taxes. At the end of these instructions, we list sources for all of the IRS forms and publication that we refer to.

Special exceptions and situations not covered in these instructions that require following additional rules and restrictions include those listed below. Please read IRS Publication 526 “Charitable Contributions” for complete instructions in these cases:

- Non-cash gifts (goods, property, services, time volunteered, etc.)
- When you receive in exchange for your donation what the IRS considers a benefit (other than inexpensive token gifts such as mugs or t-shirts) such as tickets or admission to an event, food, merchandise, or goods of significant value.
- The sum of your contributions are more than 20% of your adjusted gross income (your gross income = your total income – all tax deductions you are claiming this year). Some limitations on the amount you can deduct may apply.

What Is a Charitable Deduction?

What does “deduction”/”tax-deductible” mean? Money you spend on something the government considers tax-deductible is money on which you don’t have to pay the government federal income tax. When you pay your federal income taxes each year there are many deductions that you can take including, among other things: certain medical and dental expenses, mortgage loan interest, and charitable deductions (donations given to qualified charitable organizations).

Accelerated Cure Project is a “Qualified Organization,” but not all causes are. If the IRS does not recognize a charity as a “qualified organization”, then donations made to that charity are not tax-deductible. See IRS Publication 526 “Charitable Contributions” to determine if a charity you are unsure about meets government requirements.

How Do I Apply for My Charitable Deduction?

You Must Claim Your Deduction in the Year the Donation Was Made. You must claim your charitable deduction on your federal income tax return for the same year in which the donation was made.

You will need **Form 1040 “U.S. Individual Income Tax Return”** and **“Schedule A & B”**. Using Schedule A you can itemize (break out and list) your deductions, then report the deductions on Form 1040.

You Cannot Claim Deductions if You Use Form 1040EZ If you file your federal income taxes using Form 1040EZ “Income Tax Return for Single and Joint Filers With No Dependents,” which is a quick-and-easy tax form that does not allow you to itemize deductions, you will **not** be able to claim any charitable deductions.

Itemized Deductions vs. Standard Deduction When using Form 1040, you have the option of itemizing your deductions OR opting for a standard deduction, which can be roughly between \$700 - \$7,850 (you should refer to Form 1040 “Tax & Credits” Section to figure out what the standard deduction is for you). Thus, you will want to use your standard deduction if it’s going to be more than the sum of all your itemized deductions.

When Does My Donation Officially Become Deductible?

The IRS generally considers the date of “unconditional delivery” (with no restrictions placed on the gift) of the donation to be the official recognition point:

- For Cash, it's the date you give the cash to the charity
- For Checks, it's the date you mail the check to the charity
- For Credit Cards & Bank Debit Cards, it's the year you make the charge to the card
- For Payroll Deductions, it's the date the amount is deducted from your payroll and transferred to the charity.

What Kind of Receipts or Physical Proof of My Donation Do I Need?

The guidelines that follow refer to a “donation,” which is a single gift given to a charity at one point in time. You can give numerous donations during the year that may add up to a larger sum, but for any given single donation, the rules that follow apply for record keeping.

You Keep Your Receipts/Acknowledgements Any receipts or acknowledgements the IRS requires you to collect are not sent in with your tax return, but are kept by you in your records (as proof of your donation if you were to be audited).

Documentation for Donations Less than \$250

For donations of less than \$250, you will need to keep just **ONE** of the following items as proof of your donation:

1) A bank record (such as a canceled check, a bank copy of a canceled check, a credit card statement or a bank statement) that shows:

- the name of the organization
- the date of the donation
- the amount of the donation

OR

2) A receipt (or a letter or other written communication) from the charitable organization that shows:

- the name of the organization
- the date of the donation
- the amount of the donation

Documentation for Donations of \$250 or More

For donations of \$250 or more you must have either an acknowledgement (receipt, letter, etc.) of your contribution from the charity, or certain payroll deduction records. If you made more than one donation of \$250 or more, you must either have a separate acknowledgement for each donation, or an acknowledgement that shows the sum of your total contributions.

The acknowledgement must meet these requirements to be acceptable:

- 1) It must be written.
- 2) It must include all of the following:
 - The amount of donation
 - Whether the charity gave you any goods or services in return for your contribution (other than token items like t-shirts, tote bags, etc.)
 - A description and good faith estimate of the value of any goods or services
- 3) You must receive the acknowledgement from the charity on or before (whichever is earlier):
 - The date you file your tax return for the year you make the contribution, **OR**
 - The due date, including extensions, for filing your tax return

Payroll Deductions If you make a donation by payroll deduction, you do not need an acknowledgement from the charity. But if your employer deducted \$250 or more from a single paycheck, you must keep:

1) A pay stub, Form W-2, or other document furnished by your employer that proves the amount withheld

AND

2) A pledge card or other document from the qualified organization that states the organization does not provide goods or services in return for any donation made to it by payroll deduction.

Beginning in 2007, you must keep the records just described for any contribution by payroll deduction, regardless of amount. However, the pledge card or other document must include the statement described in (2) regarding goods and services only if your employer withheld \$250 or more from a single paycheck.

Does a Charity Always Send Me a Receipt for My Donation?

The IRS specifies that a charitable organization is only required to send you an acknowledgement of your gift if the donation is \$250 or more, or upon your request for a receipt for donations of a lesser amount.

You Can Order the Forms and Publication Referenced in this Document Using the Following Methods:

By Phone: for delivery via US Postal Service by calling **1-800-TAX-FORM (1-800-829-3676)**.

By Mail: You can write to the address below to order forms, instructions, and publications.

National Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903

Online: You can view, download and/or print the following forms & publications online:

IRS Forms and Instructions: <http://www.irs.gov/app/picklist/list/formsInstructions.html>

- **Form 1040 U.S. Individual Income Tax Return** – Go to the web site listed above and select “[Form 1040 U.S. Individual Income Tax Return.](#)” Be certain that you choose the form that corresponds to the pertinent tax year.
- **Instr 1040 – Instructions for Form 1040 and Associated Schedules** (including Schedule A) Go to the web site listed above and select “[Form 1040 \(Gen. Inst.\) Instructions for Form 1040.](#)” Be certain that you choose the form that corresponds to the pertinent tax year.
- **Form 1040 – Schedule A & B** Go to the web site listed above and select “[Form 1040 Schedule \(A&B\) Itemized Deductions and Interest & Dividend Income.](#)” Be certain that you choose the form that corresponds to the pertinent tax year.
- **Instructions for Form 1040 Schedules A & B** (Form 1040 also includes these instructions, but this separate, smaller document is easier to use.) Go to the web site listed above and select “[Inst 1040 \(Schedule A&B\) Instructions.](#)” Be certain that you choose the form that corresponds to the pertinent tax year.

And a Useful IRS Publication Available Online

<http://www.irs.gov/app/picklist/list/publicationsNoticesPdf.html>

- **Publication 526 – Charitable Contributions** Go to this web site and select “Publ 526 Charitable Contributions.”