



Accutek Solutions
Doug Beecher, C.P.A.

51 North 1000 West, Suite 5
Hurricane, UT 84737
Tel: (435) 635-3684
Fax: (435) 635-5454
E-mail: dougbeecher@yahoo.com
Website: www.accuteksolutions.com

April 2001 - THE IRS REWARDS CHARITY! *Are You Deducting All Of Your Donations? (And Other Tax Season Thoughts)*

It's common knowledge that cash contributions to a wide variety of charitable organizations is allowable as a tax deduction if you itemize. What isn't as well known is the opportunities for deducting non-cash contributions. I wrote about this last in February 2000, but have had a number of requests for an update on this subject as well as on vehicle deductions. There will also be a paragraph about tax information available at the IRS's web site.

Deducting Non-Cash Contributions

Many people wish they could deduct something for the time they donate in volunteer work for charity. Of course, this is not allowed! You are, however, allowed to deduct 14 cents for each mile you drive your vehicle in order to do your volunteer work! The standard reaction to this revelation is "I don't drive enough miles to worry about it". Let me try to change your mind! Consider all the practices, games, planning meetings, trips for supplies, tournaments, conferences, and more that you drive to as a non-paid coach for a youth sports team, an advisor to a fine arts performing group, school aide, or Scouting or church group volunteer. If it averages even ten miles a week, that still totals 500 miles each year. Many volunteers drive much more than that.

Documentation is important, but can be simple. Keep a day planner or appointment book (you probably do anyway), and make a short 2 or 3 word entry for each activity describing the charitable purpose and note the number of miles driven. Then at year-end, run a paper tape total and secure it to the book.

While you're recording the miles for the trips to get supplies for your charity, don't forget to include the cost of the supplies you donate and don't get reimbursed for. An easy way to do this is to write a short description on each supply receipt and collect them in a 9" x 12" clasp envelope. Label the envelope SUPPLIES FOR CHARITY. Write the date and amount of each receipt on the face of the envelope, then run a paper tape total at year-end and attach it securely.

Finally, be sure to keep another clasp envelope for your receipts for clothing, toys, books, shoes, and similar items you donate to charity. Again put the date and amount of each receipt on the face of the envelope with a paper tape total for the year. Be sure to ask for a receipt each time you make a donation. You will probably have to decide yourself how much the items you donated are worth. This is not an exact science. Consider the likely sales prices for your items in a thrift store and at a yard sale. You can take the high end of a reasonable range. Think in terms of high and low book value on a used car. If you donate a car to charity, you can claim a deduction for high book value. Likewise, with your other items you can claim the high end of a reasonable price range.

Vehicle Deductions

The easiest way to claim vehicle deductions is to use the IRS standard mileage rates. These vary according to the use of the vehicle. As mentioned earlier, 14 cents per mile is allowed for charitable vehicle use. For medical or dental purposes, 10 cents per mile is allowed; while for business 32.5 cents per mile was allowed for 2000. The business rate increased to 34.5 cents per mile beginning January 1, 2001. The record keeping requirement is accomplished by writing the purpose and mileage of each trip in a log or other record such as an appointment book and totaling them for the year.

For business use, the actual cost method is also available for those who believe they spend more than the standard mileage rate and are willing to keep the written expense records to prove it. Mileage records are still required, and are used to calculate the percentage of business use, which is then multiplied by the total vehicle operating cost for the year to determine the deductible amount. Total vehicle operating cost includes gas, oil, repairs, maintenance, insurance, tax, and license. Depreciation, calculated using IRS "luxury car" limitations, is also included.

Be sure to consider all possible business uses. Include miles driven for your own business on Schedule C, for your employer's business on Form 2106, for your rental property on Schedule E, or for your farm or ranch on Schedule F. Medical and charitable miles are included on Schedule A. If you are reimbursed at rates lower than those allowed by the IRS, you can claim the IRS rate and then show the reimbursement. This effectively permits you to claim the difference, which often is still worthwhile.

Tax Information Available At The IRS Web Site

The IRS maintains a web site at www.irs.gov. You can download forms and instructions here. Copies of many IRS publications are also available here, which give additional detail on a wide variety of subjects, including the charitable, medical, vehicle, and business deductions mentioned in this article and many more. Each state also has a similar web site available, which you can reach by going to the state home page and navigating from there. You are also welcome to email me at dougbeecher@yahoo.com with questions. I answer these as fast as I can.

If you have a question you'd like to have answered in a future article, please contact me in care of the **Hurricane Valley Journal**.