

Charitable Deduction Rules Impact Even the Average Taxpayer

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In response to recent changes to the Federal tax laws, you will have to keep cancelled checks or get written receipts if you want to deduct your weekly church offerings ... and remember the living room set you donated to the local Good Will, or the used office computers you donated to your local school district? If you donated tangible items to charity on or after August 18th, 2006 you can't claim a charitable deduction for income tax purposes - - unless the donated item is valued at more than \$500 *and* you obtained a professional, written appraisal to confirm that value *before* you file your 2006 tax returns.

During August 2006, Congress passed sweeping changes to the laws which govern income tax charitable deductions. Those laws will impact the average taxpayer who is just trying to do some good, since taxpayers must now keep detailed records of all charitable contributions or risk facing tough new penalties for over-valuing deductions.

These changes come on the heels of a 2005 crackdown on inflated deductions for cars donated to charity.

In spite of the fact that the new charitable contribution rules apply to the 'average Joe', there's nothing simple about them. Some of the new rules effect charitable gifts made beginning in January, 2006 ... others effect charitable gifts made on or after August 18th, 2006 ... and still more changes are scheduled to take-effect in 2007.

So here's what you need to know as you gather information to prepare your 2006 income tax returns:

Household goods. Items valued at less than \$500 and donated after August 17th, 2006 must generally be in "good condition or better" to qualify for an income tax charitable deduction. The best way to prove to the IRS that your donated items meet this new standard is to take photographs before dropping your stuff off to the local Good Will, and include those photos as exhibits to your tax returns.

If your donated items don't meet the "good condition or better" standard, but they're worth more than \$500 apiece, you can claim the charitable deduction only if you have a written appraisal to prove the items' value ...