



## Tax Implications Of Donating Non-Cash Assets

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When donating to a nonprofit, people's first thought is typically cash. However, what many people don't realize is that there are also many non-cash assets you can donate to a qualified charity. Some of the typical examples include stocks, artwork, boats, clothing, household items, furniture, real estate, jewelry, gems, antiques and intellectual property (such as patents, copyrights, trade names and software). These types of donations can be just as or even more valuable than the cash you were planning to donate, and they can result in significant tax benefits.

### Asset Value

Proving and supporting the value of the donated property is the responsibility of the donor. For example, when donating a car you can use a vehicle pricing guide such as the Kelly Blue Book. For clothing, donors can use the cost of comparable thrift store items.

If you are claiming a deduction of more than \$5,000 (per item or group of similar items), the IRS requires that an appraisal be attached to the tax return. A qualified appraiser who has the requisite education and experience in valuing the type of property being appraised must be used. The appraiser must also use generally accepted appraisal standards (GAAP), such as those set forth by the Appraisal Standards Board of the Appraisal Foundation.

### Qualifying Nonprofits

In order to qualify for a tax deduction, the recipient must be a qualified tax-exempt charity such as a 501(c)(3). Qualifying nonprofits range from churches to philanthropic organizations to private foundations, and they must be organized and operated exclusively for the exempt purpose identified in the relevant IRS section. The IRS has an Exempt Organizations Select Check tool that you can use to determine if a nonprofit qualifies.

### Deductible Amount

The deduction for short-term capital gain property (held for 12 months or less) is typically limited to the individual donor's basis in the donated property. The deduction for long-term capital gain property (held by the donor for more than 12 months) depends on the type of asset and the nonprofit's use of it.

For example, if a donor contributes a piece of artwork and the nonprofit displays the artwork or uses it in accordance with its exempt function, the deduction would be the fair market value of the artwork. However, if the nonprofit sells the artwork or uses it for an unrelated purpose, it might reduce the deductible amount. The donor's adjusted gross income (AGI) can also limit the allowable deduction. Donors should consult with a tax advisor to ensure they're maximizing their allowable deduction.

### **Required Paperwork**

Donors should request a written acknowledgement from the nonprofit for the donated property in the form of a letter, receipt or Form 1098-C. The acknowledgement should also state if the nonprofit provided any goods or services in exchange for the donation. If they did, an estimate of the value of the goods or services should be included. Keep in mind that the donation must be unconditional, and requires the donor to give up control of the donated property to the charity.

Valuing the asset appropriately, choosing a qualifying nonprofit, determining your allowable deduction and securing the required paperwork are all important aspects of donating illiquid assets. With the help of a tax professional, contributing non-cash assets to a nonprofit you support doesn't have to be complicated and can be a smart option when you're ready to unload grandma's antique table or a car that's collecting dust in storage.

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