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What's New

Contributions of cars, boats, and airplanes. If you donate a car, boat, or airplane to a qualified organization after 2004, your deduction generally is limited to the gross proceeds from its sale by the organization. This rule applies if the claimed value of the donated vehicle is more than \$500. For exceptions and more information, see *Cars, Boats and Airplanes* under *Contributions of Property*.

Contributions of patents and other intellectual property. If you donate a patent or other intellectual property to a qualified organization after June 3, 2004, your deduction is limited to the basis of the property or the fair market value of the property, whichever is less. You also may be able to claim additional charitable contribution deductions in the year of the contribution and years following, based on the income, if any, from the donated property. For more information, see *Patents and Other Intellectual Property* under *Contributions of Property*.

Contributions of property over \$500,000. If you claim a deduction of more than \$500,000 for a contribution of property made after June 3, 2004, you generally must attach a qualified appraisal of the property to your return. Previously, the appraisal was required for your records but did not have to be attached to your return. For more information, see *Deduction over \$500,000* under *How To Report*.

Contributions of food inventory. New rules apply to certain contributions of food inventory made after August 27, 2005, and before January 1, 2006. See *Food Inventory*.

Temporary suspension of 50% limit. If you paid a charitable contribution in cash after August 27, 2005, and before January 1, 2006, to certain 50% limit organizations, you can elect to



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Table 2. Volunteers' Questions and Answers

If you do volunteer work for a qualified organization, the following questions and answers may apply to you. All of the rules explained in this publication also apply. See, in particular, *Out-of-Pocket Expenses in Giving Services*.

Question	Answer
<p>I do volunteer work 6 hours a week in the office of a qualified organization. The receptionist is paid \$6 an hour to do the same work I do. Can I deduct \$36 a week for my time?</p> <p>The office is 30 miles from my home. Can I deduct any of my car expenses for these trips?</p>	<p>No, you cannot deduct the value of your time or services.</p> <p>Yes, you can deduct the costs of gas and oil that are directly related to getting to and from the place where you are a volunteer. If you do not want to figure your actual costs, you can deduct 14 cents for each mile.</p>
<p>I volunteer as a Red Cross nurse's aide at a hospital. Can I deduct the cost of uniforms that I must wear?</p>	<p>Yes, you can deduct the cost of buying and cleaning your uniforms if the hospital is a qualified organization, the uniforms are not suitable for everyday use, and you must wear them when volunteering.</p>
<p>I pay a baby sitter to watch my children while I do volunteer work for a qualified organization. Can I deduct these costs?</p>	<p>No, you cannot deduct payments for child care expenses as a charitable contribution, even if they are necessary so you can do volunteer work for a qualified organization. (If you have child care expenses so you can work for pay, get Publication 503, Child and Dependent Care Expenses.)</p>

Expenses that do not qualify. Depreciation on your home, the fair market value of lodging, and similar items are not considered amounts spent by you. In addition, general household expenses, such as taxes, insurance, repairs, etc., do not qualify for the deduction.

Reimbursed expenses. If you are compensated or reimbursed for any part of the costs of having a student living with you, you cannot deduct any of your costs. However, if you are reimbursed for only an extraordinary or a one-time item, such as a hospital bill or vacation trip, that you paid in advance at the request of the student's parents or the sponsoring organization, you can deduct your expenses for the student for which you were not reimbursed.

Mutual exchange program. You cannot deduct the costs of a foreign student living in your home under a mutual exchange program through which your child will live with a family in a foreign country.

Reporting expenses. For a list of what you must file with your return if you deduct expenses for a student living with you, see *Reporting expenses for student living with you* under *How To Report*, later.

Out-of-Pocket Expenses in Giving Services

You may be able to deduct some amounts you pay in giving services to a qualified organization. The amounts must be:

- Unreimbursed,
- Directly connected with the services,
- Expenses you had only because of the services you gave, and
- Not personal, living, or family expenses.

Table 2 contains questions and answers that apply to some individuals who volunteer their services.

Underprivileged youths selected by charity. You can deduct reasonable unreimbursed out-of-pocket expenses you pay to allow underprivileged youths to attend athletic events, movies, or dinners. The youths must be selected by

a charitable organization whose goal is to reduce juvenile delinquency. Your own similar expenses in accompanying the youths are not deductible.

Conventions. If you are a chosen representative attending a convention of a qualified organization, you can deduct unreimbursed expenses for travel and transportation, including a reasonable amount for meals and lodging, while away from home overnight in connection with the convention. However, see *Travel*, later.

You cannot deduct personal expenses for sightseeing, fishing parties, theater tickets, or nightclubs. You also cannot deduct travel, meals and lodging, and other expenses for your spouse or children.

You cannot deduct your expenses in attending a church convention if you go only as a member of your church rather than as a chosen representative. You can deduct unreimbursed expenses that are directly connected with giving services for your church during the convention.

Uniforms. You can deduct the cost and upkeep of uniforms that are not suitable for everyday use and that you must wear while performing donated services for a charitable organization.

Foster parents. You may be able to deduct as a charitable contribution some of the costs of being a foster parent (foster care provider) if you have no profit motive in providing the foster care and are not, in fact, making a profit. A qualified organization must designate the individuals you take into your home for foster care.

You can deduct expenses that meet both of the following requirements.

1. They are unreimbursed out-of-pocket expenses to feed, clothe, and care for the foster child.
2. They must be mainly to benefit the qualified organization.

Unreimbursed expenses that you cannot deduct as charitable contributions may be considered support provided by you in determining whether you can claim the foster child as a dependent. For details, see Publication 501, Exemptions, Standard Deduction, and Filing Information.

Example. You cared for a foster child because you wanted to adopt her, not to benefit the agency that placed her in your home. Your unreimbursed expenses are not deductible as charitable contributions.

Church deacon. You can deduct as a charitable contribution any unreimbursed expenses you have while in a permanent diaconate program established by your church. These expenses include the cost of vestments, books, and transportation required in order to serve in the program as either a deacon candidate or as an ordained deacon.

Car expenses. You can deduct unreimbursed out-of-pocket expenses, such as the cost of gas and oil, that are directly related to the use of your car in giving services to a charitable organization. You cannot deduct general repair and maintenance expenses, depreciation, registration fees, or the costs of tires or insurance.

If you do not want to deduct your actual expenses, you can use a standard mileage rate of 14 cents a mile to figure your contribution.

You can deduct parking fees and tolls, whether you use your actual expenses or the standard mileage rate.

You must keep reliable written records of your car expenses. For more information, see *Car expenses* under *Records To Keep*, later.

Car expenses related to Hurricane Katrina. If you used your car in giving services to a charitable organization to provide relief related to Hurricane Katrina, the standard mileage rate is 29 cents a mile for miles driven after August 24, 2005, and before September 1, 2005. The rate is 34 cents a mile for miles driven after August 31, 2005. The rate for 2006 is 32 cents a mile.

Reimbursements related to Hurricane Katrina. You may not have to pay tax on any mileage reimbursement you received from a charitable organization for the costs of using your car to provide relief relating to Hurricane Katrina. This applies to volunteer services only. If you were given compensation for the performance of your services, this does not apply to you. For details, see Publication 525, Taxable and Nontaxable Income, and Publication 4492, In-

formation for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma.

Travel. Generally, you can claim a charitable contribution deduction for travel expenses necessarily incurred while you are away from home performing services for a charitable organization only if there is no significant element of personal pleasure, recreation, or vacation in the travel. This applies whether you pay the expenses directly or indirectly. You are paying the expenses indirectly if you make a payment to the charitable organization and the organization pays for your travel expenses.

The deduction for travel expenses will not be denied simply because you enjoy providing services to the charitable organization. Even if you enjoy the trip, you can take a charitable contribution deduction for your travel expenses if you are on duty in a genuine and substantial sense throughout the trip. However, if you have only nominal duties, or if for significant parts of the trip you do not have any duties, you cannot deduct your travel expenses.

Example 1. You are a troop leader for a tax-exempt youth group and you help take the group on a camping trip. You are responsible for overseeing the setup of the camp and for providing adult supervision for other activities during the entire trip. You participate in the activities of the group and really enjoy your time with them. You oversee the breaking of camp and you help transport the group home. You can deduct your travel expenses.

Example 2. You sail from one island to another and spend 8 hours a day counting whales and other forms of marine life. The project is sponsored by a charitable organization. In most circumstances, you cannot deduct your expenses.

Example 3. You work for several hours each morning on an archeological dig sponsored by a charitable organization. The rest of the day is free for recreation and sightseeing. You cannot take a charitable contribution deduction even though you work very hard during those few hours.

Example 4. You spend the entire day attending a charitable organization's regional meeting as a chosen representative. In the evening you go to the theater. You can claim your travel expenses as charitable contributions, but you cannot claim the cost of your evening at the theater.

Daily allowance (per diem). If you provide services for a charitable organization and receive a daily allowance to cover reasonable travel expenses, including meals and lodging while away from home overnight, you must include in income the amount of the allowance that is more than your deductible travel expenses. You can deduct your necessary travel expenses that are more than the allowance.

Deductible travel expenses. These include:

- Air, rail, and bus transportation,
- Out-of-pocket expenses for your car,

- Taxi fares or other costs of transportation between the airport or station and your hotel,
- Lodging costs, and
- The cost of meals.

Because these travel expenses are not business-related, they are not subject to the same limits as business related expenses. For information on business travel expenses, see *Travel Expenses* in Publication 463, *Travel, Entertainment, Gift, and Car Expenses*.

Expenses of Whaling Captains

Beginning in 2005, you may be able to deduct as a charitable contribution the reasonable and necessary whaling expenses paid during the year in carrying out sanctioned whaling activities. The deduction is limited to \$10,000 a year. To claim the deduction, you must be recognized by the Alaska Eskimo Whaling Commission as a whaling captain charged with the responsibility of maintaining and carrying out sanctioned whaling activities.

Sanctioned whaling activities are subsistence bowhead whale hunting activities conducted under the management plan of the Alaska Eskimo Whaling Commission.

Whaling expenses include expenses for:

- Acquiring and maintaining whaling boats, weapons, and gear used in sanctioned whaling activities,
- Supplying food for the crew and other provisions for carrying out these activities, and
- Storing and distributing the catch from these activities.

To deduct these expenses, you will be required to keep records showing the time, place, date, amount, and nature of the expenses.

Contributions You Cannot Deduct

There are some contributions you cannot deduct. There are others you can deduct only part of.

You cannot deduct as a charitable contribution:

1. A contribution to a specific individual,
2. A contribution to a nonqualified organization,
3. The part of a contribution from which you receive or expect to receive a benefit,
4. The value of your time or services,
5. Your personal expenses,
6. Appraisal fees, or
7. Certain contributions of partial interests in property.

Detailed discussions of these items follow.

Contributions to Individuals

You cannot deduct contributions to specific individuals, including:

- Contributions to fraternal societies made for the purpose of paying medical or burial expenses of deceased members.
- Contributions to individuals who are needy or worthy. This includes contributions to a qualified organization if you indicate that your contribution is for a specific person. But you can deduct a contribution that you give to a qualified organization that in turn helps needy or worthy individuals if you do not indicate that your contribution is for a specific person.

Example. You can deduct contributions earmarked for flood relief, hurricane relief, or other disaster relief to a qualified organization. However, you cannot deduct contributions earmarked for relief of a particular individual or family.

- Payments to a member of the clergy that can be spent as he or she wishes, such as for personal expenses.
- Expenses you paid for another person who provided services to a qualified organization.

Example. Your son does missionary work. You pay his expenses. You cannot claim a deduction for your son's unreimbursed expenses related to his contribution of services.

- Payments to a hospital that are for a specific patient's care or for services for a specific patient. You cannot deduct these payments even if the hospital is operated by a city, state, or other qualified organization.

Contributions to Nonqualified Organizations

You cannot deduct contributions to organizations that are not qualified to receive tax-deductible contributions, including the following.

1. Certain state bar associations if:
 - a. The state bar is not a political subdivision of a state,
 - b. The bar has private, as well as public, purposes, such as promoting the professional interests of members, and
 - c. Your contribution is unrestricted and can be used for private purposes.
2. Chambers of commerce and other business leagues or organizations.
3. Civic leagues and associations.
4. Communist organizations.
5. Country clubs and other social clubs.
6. Foreign organizations other than
 - a. A U.S. organization that transfers funds to a charitable foreign organization if the U.S. organization controls the use of the funds or if the foreign organiza-

tion is only an administrative arm of the U.S. organization, or

- b. Certain Canadian, Israeli, or Mexican charitable organizations. See *Canadian charities*, *Mexican charities*, and *Israeli charities* under *Organizations That Qualify To Receive Deductible Contributions*, earlier.
7. Homeowners' associations.
8. Labor unions. But you may be able to deduct union dues as a miscellaneous itemized deduction, subject to the 2%-of-adjusted-gross-income limit, on Schedule A (Form 1040). See Publication 529, *Miscellaneous Deductions*.
9. Political organizations and candidates.

Contributions From Which You Benefit

If you receive or expect to receive a financial or economic benefit as a result of making a contribution to a qualified organization, you cannot deduct the part of the contribution that represents the value of the benefit you receive. See *Contributions From Which You Benefit* under *Contributions You Can Deduct*, earlier. These contributions include:

- Contributions for lobbying. This includes amounts that you earmark for use in, or in connection with, influencing specific legislation.
- Contributions to a retirement home that are clearly for room, board, maintenance, or admittance. Also, if the amount of your contribution depends on the type or size of apartment you will occupy, it is not a charitable contribution.
- Costs of raffles, bingo, lottery, etc. You cannot deduct as a charitable contribution amounts you pay to buy raffle or lottery tickets or to play bingo or other games of chance. For information on how to report gambling winnings and losses, see *Deductions Not Subject to the 2% Limit* in Publication 529.
- Dues to fraternal orders and similar groups. However, see *Membership fees or dues* under *Contributions From Which You Benefit*, earlier.
- Tuition, or amounts you pay instead of tuition, even if you pay them for children to attend parochial schools or qualifying non-profit day-care centers. You also cannot deduct any fixed amount you may be required to pay in addition to the tuition fee to enroll in a private school, even if it is designated as a "donation."
- Contributions connected with split-dollar insurance arrangements. You cannot deduct any part of a contribution to a charitable organization if, in connection with the contribution, the organization directly or indirectly pays, has paid, or is expected to pay any premium on any life insurance, annuity, or endowment contract for which you, any member of your family or any other person

chosen by you (other than a qualified charitable organization) is a beneficiary.

Example. You donate money to a charitable organization. The charity uses the money to purchase a cash value life insurance policy. The beneficiaries under the insurance policy include members of your family. Even though the charity may eventually get some benefit out of the insurance policy, you cannot deduct any part of the donation.

Value of Time or Services

You cannot deduct the value of your time or services, including:

- Blood donations to the Red Cross or to blood banks, and
- The value of income lost while you work as an unpaid volunteer for a qualified organization.

Personal Expenses

You cannot deduct personal, living, or family expenses, such as the following items.

- The cost of meals you eat while you perform services for a qualified organization, unless it is necessary for you to be away from home overnight while performing the services.
- Adoption expenses, including fees paid to an adoption agency and the costs of keeping a child in your home before adoption is final. However, you may be able to claim a tax credit for these expenses. Also, you may be able to exclude from your gross income amounts paid or reimbursed by your employer for your adoption expenses. See Form 8839, *Qualified Adoption Expenses*, and its instructions, for more information. You also may be able to claim an exemption for the child. See *Exemptions for Dependents* in Publication 501 for more information.

Appraisal Fees

Fees that you pay to find the fair market value of donated property are not deductible as contributions. You can claim them, subject to the 2%-of-adjusted-gross-income limit, as a miscellaneous itemized deduction on Schedule A (Form 1040). See *Deductions Subject to the 2% Limit* in Publication 529 for more information.

Partial Interest in Property

Generally, you cannot deduct a contribution of less than your entire interest in property. For details, see *Partial interest in property* under *Contributions of Property*, later.

Contributions of Property

If you contribute property to a qualified organization, the amount of your charitable contribution is generally the fair market value of the property at the time of the contribution. However, if the property has increased in value, you may have to make some adjustments to the amount of your deduction. See *Giving Property That Has Increased in Value*, later.

For information about the records you must keep and the information you must furnish with your return if you donate property, see *Records To Keep* and *How To Report*, later.

Contributions Subject to Special Rules

Special rules apply if you contributed:

- A car, boat, or airplane,
- Property subject to a debt,
- A partial interest in property,
- A future interest in tangible personal property,
- Inventory from your business, or
- A patent or other intellectual property.

These special rules are described next.

Cars, Boats, and Airplanes

The following rules apply to any donation of a car to a qualified organization after December 31, 2004. These rules also apply to any donation of a boat, airplane, or any motor vehicle manufactured mainly for use on public streets, roads, and highways.

Deduction more than \$500. If the qualified organization sells the car and you claim a deduction of more than \$500, the following rules apply.

1. You can deduct the smaller of:
 - a. The gross proceeds from the sale of the car by the organization, or
 - b. The car's fair market value on the date of the contribution. If the car's fair market value was more than your cost or other basis, you may have to reduce the fair market value to get the deductible amount, as described under *Giving Property That Has Increased in Value*, later.
2. You must attach to your return the copy of the Form 1098-C, *Contributions of Motor Vehicles, Boats, and Airplanes*, (or other statement containing the same information as Form 1098-C) you received from the organization. The Form 1098-C (or other statement) will show the gross proceeds from the sale of the car.

However, different rules apply if exception 1 or exception 2 (described next) applies.