How *what* you donate impacts your tax deductions

Have you already made contributions to charity this year? Are you considering making more between now and year end? If so, it's important to be familiar with the tax rules for different types of donations so you can maximize your tax benefit — or at least avoid finding out at tax filing time that your charitable deductions are smaller than you expected.

For example, be aware that a new limit goes into effect this year: a 0.5% floor on the charitable deduction for itemizers. This generally means that only charitable donations in excess of 0.5% of your adjusted gross income (AGI) will be deductible if you itemize deductions. So, if your AGI is $100,000, your first $500 of charitable donations for the year won't be deductible.

Let's take a look at some of the other significant rules, limits and changes affecting different types of donations.

Giving cash

When you make a cash or cash-equivalent contribution to a qualified charitable organization, if you *don't* itemize deductions, you can claim the new charitable deduction for nonitemizers of up to $1,000 ($2,000 for married couples filing jointly). Only cash donations qualify.

If you *do* itemize deductions, you can generally deduct the full amount of cash contributions once you've surpassed the new 0.5% floor. But, your annual deduction is generally limited to 60% of your AGI. Any excess may be carried forward for up to five years.

Be aware that the IRS imposes strict recordkeeping rules for cash contributions. For instance, for cash donations of $250 or more, you must obtain a contemporaneous written acknowledgment from the charity *before* filing your income tax return.

Donating property

Several special rules apply to charitable gifts of property. For starters, property donations are subject to lower annual deduction limits (which we'll detail shortly).

On the plus side, there's a big tax break if you donate certain appreciated property you've held longer than one year that would have qualified for long-term capital gains rates had you sold it instead of donating it. In this case, you can deduct the property's current fair market value. Thus, any appreciation in value while you owned the property will be untaxed. Examples of eligible property include publicly traded securities and mutual funds. However, your annual deduction for such donations is typically limited to 30% of AGI.

For *tangible* property, how the charity uses the property may affect the amount of your deduction. For example, if you donate a car, unless it's being used by the charity to further its charitable mission (such as a social services charity using a van to deliver meals to the elderly), you generally may deduct only the amount the charity receives when it sells the vehicle. But a 50% of AGI limit typically applies to deductions for donations where you can't deduct the fair market value, rather than the 30% limit.

These are just a few examples of rules that apply to deductions for property donations. Contact us to find out the rules for specific property you're considering giving to charity.

Making quid pro quo contributions

Generally, if you receive a benefit in return for making a donation, your deduction amount is reduced. For such a "quid pro quo contribution," the charity must provide a good-faith estimate of the goods and services you received. You can deduct the difference between the amount you donated and the value of the benefit you received — nothing more.

For example, let's say you attend a fundraising dinner cruise costing $300. If the charity values the meal and boat ride at $100 per person, your deduction is limited to $200.

However, most low-cost items and nominal gifts, like coffee mugs or pens featuring the charity's logo, don't have to be subtracted from your deduction.

Volunteering

You can't deduct the value of the time you spend helping a charity. But you can write off related out-of-pocket expenses, such as supplies and mileage, if you itemize deductions. The deductible mileage rate for charitable miles driven is 14 cents per mile.

Travel and lodging expenses can qualify, such as if you attend a convention as a delegate for the charity. However, travel expenses can't be deducted if the trip is merely a disguised vacation.

Achieving your goals

If you itemize deductions, charitable donations can be a powerful tax-saving tool. But, as you can see, there's much to consider as you plan your giving for the rest of the year. We can answer your questions and help you create a charitable giving strategy for the remainder of 2026 that aligns with your philanthropic and tax goals.