

# Charitable Contributions<sup>1</sup> for University of Illinois Extension Master Gardeners

**Intent** is to address what seem to be the most common types of charitable contributions of University of Illinois Extension Master Gardeners in connection with MG volunteer activities only.<sup>2</sup>

The **MG program** is designed to increase the availability of University-based horticultural information to local non-profit, non-commercial community groups and individuals through trained volunteers known as Master Gardeners.<sup>3</sup>

Charitable contributions take two forms:

- Services
- Property

**No deduction for time and value of service, or income lost while volunteering.**

Deductible gifts are actually made in the tax year.<sup>4</sup>

To deduct a charitable contribution, you must file Form 1040 (long form),

Form 1040 (2010) Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return 2010 (99) IRS Use Only—Do not write or staple in this space. Page 2

<b>Tax and Credits</b>	<b>38</b> Amount from line 37 (adjusted gross income)	<b>38</b>
<b>39a</b> Check <input type="checkbox"/> You were born before January 2, 1948, <input type="checkbox"/> Blind. Total boxes checked <b>▶ 39a</b> <input type="checkbox"/>	<b>39a</b> if: <input type="checkbox"/> Spouse was born before January 2, 1948, <input type="checkbox"/> Blind. checked <b>▶ 39a</b> <input type="checkbox"/>	
<b>b</b> If your spouse itemizes on a separate return or you were a dual-status alien, check here <b>▶ 39b</b> <input type="checkbox"/>		
<b>40</b> Itemized deductions (from Schedule A) or your standard deduction (see instructions)	<b>40</b>	

and itemize deductions on Schedule A.

**SCHEDULE A**  
**(Form 1040)**  
Department of the Treasury  
Internal Revenue Service (99)  
Name(s) shown on Form 1040

**Itemized Deductions**  
▶ Attach to Form 1040. ▶ See instructions for Schedule A (Form 1040).

OMB No. 1545-0074  
**2010**  
Attachment Sequence No. **07**  
Your social security number

<sup>1</sup> 26 U S Code Section 170. Charitable, etc., contributions and gifts.

<sup>2</sup> Disclaimer: “This information is for educational purposes only, it is not intended to be professional tax or legal advice; consult a tax advisor about your specific situation. Please consult your personal financial advisor if you have any questions about this information and how it may relate to your own personal financial situation.”\* This is not exhaustive treatment of subject of charitable contributions. This presentation does not address: corporate donors, gifts of future interests, cars, boats, airplanes, inventory, investment securities, property transferred in trust, carryovers to succeeding years, . . .

<sup>3</sup> University of Illinois Extension Master Gardener Policies, February 2009, Introduction, p. 1 and p. 7.

<sup>4</sup> Treas. Reg. 26 CFR 1.170A-1 (a).

## I. Charitable Contribution: What is it?

A **charitable contribution** is a donation or **gift** to, or for the use of, a **qualified organization**. It is voluntary and is made **without getting, or expecting to get, anything of equal value**.

First Rule for charitable contributions: must be made to or for a “qualified organization.”

**Qualified organizations** include:<sup>5</sup>

- “an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on,”<sup>6</sup> which describes the University of Illinois;
- Not for profit educational organizations, including schools and museums so long as contribution is not a substitute for tuition or other enrollment fee;
- Federal, state and local governments, if the contribution is solely for public purposes;
- Public Parks and recreation facilities;
- Non-profit volunteer fire companies;
- Churches, synagogues, temples, mosques, and other religious organizations;
- War veterans groups;
- Non profit cemetery, but not if gift benefits only a specific lot or mausoleum;

This list of “qualified organizations” dovetails nicely with the University of Illinois Extension Master Gardener Policies, Volunteer Opportunities and Requirements, including Educational and Administrative Efforts in University Extension office and Non-Educational programming including “design, installation, upkeep and maintenance of public or demonstration gardens.” February 2009, pp. 7-8.

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<sup>5</sup> This is not exhaustive list of every type of “qualified organization” donee.

<sup>6</sup> 26 USC Sec. 170 (b)(1)(A)(ii).

## II. Deducting Charitable Contributions

“(g) Contributions of services. No deduction is allowable under section 170 for a contribution of services. However, **unreimbursed expenditures** made **incident to the rendition of services to an organization** contributions to which are deductible may constitute a deductible contribution. For example, the cost of a uniform without general utility which is required to be worn in performing donated services is deductible. Similarly, out-of-pocket transportation expenses necessarily incurred in performing donated services are deductible. Reasonable expenditures for meals and lodging necessarily incurred while away from home in the course of performing donated services also are deductible. For the purposes of this paragraph, the phrase while away from home has the same meaning as that phrase is used for purposes of section 162<sup>7</sup> and the regulations thereunder.”<sup>8</sup>

University of Illinois Extension Master Gardener Policies, February 2009, p. 2, states: “Certified (Active) Master Gardener - . . . To maintain Certified University of Illinois Extension Master Gardener status requires a minimum of 30 hours of volunteer service and 10 hours of update education annually . . .”

. . .

State Master Gardener Conference - . . . The conference is held at different locations around the state, with local Master Gardener groups acting as hosts. Program content for the conference is coordinated by the State Master Gardener Office. Attending classes and workshops at the State Master Gardener Conference will more than fulfill the minimum continuing education requirement.” Id. p. 6.

## III. Reporting:

Charitable Contributions are deductible as element of Itemized Deductions on **Schedule A**.

<b>SCHEDULE A</b> <b>(Form 1040)</b>		<b>Itemized Deductions</b>		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service (99)		▶ Attach to Form 1040. ▶ See Instructions for Schedule A (Form 1040).		<b>2010</b>	
Name(s) shown on Form 1040				Attachment Sequence No. <b>07</b>	
				Your social security number	
<hr/>					
<b>Gifts to</b>	<b>16</b>	Gifts by cash or check. If you made any gift of \$250 or more, see instructions. . . . .	<b>16</b>		
<b>Charity</b>	<b>17</b>	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500 . . . . .	<b>17</b>		
If you made a gift and got a benefit for it, see instructions.	<b>18</b>	Carryover from prior year . . . . .	<b>18</b>		
	<b>19</b>	Add lines 16 through 18 . . . . .		<b>19</b>	

<sup>7</sup> 26 USC Section 162 allows a **deduction** (including amounts expended **for meals and lodging other than amounts which are lavish or extravagant**) while away from home in the pursuit of a trade or business.

<sup>8</sup> Treas. Reg., 26 CFR 1.170A-1 (g).

**Schedule A, Line 16: “Gifts by cash or check”:**

Gifts to Charity	16	Gifts by cash or check. If you made any gift of \$250 or more, see instructions. . . . .	16		
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**Report on line 16**, monetary gifts by cash, check, electronic funds transfer, debit card, credit card or payroll deduction **and unreimbursed, out-of-pocket expenses**.

“Gift of \$250 or more” means a single gift item, not the total of your multiple contributions. Triggers requirement for receipt issued by donee.

**Monetary Gifts to the University of Illinois\*:** Must be processed through the University of Illinois Foundation or an Extension County Office. After the gift has been received and processed through the University the donor will be sent a tax receipt on behalf of the University and Foundation.

**Unreimbursed, Out-of-pocket expenses, are defined:**

- **Not reimbursed** and
- **Directly connected** with the volunteer services and
- Expenses you had **only because of the volunteer services** you provided and
- Not personal, living or family expenses and
- There is **no significant element of personal pleasure**, recreation, or vacation.

Deductible, unreimbursed, Out of pocket expenses include:

- use of personal vehicle,
- parking fees and tolls,
- air, train and bus transportation,
- taxi fares,
- lodging costs, if overnight travel is required
- meals if traveling away from home overnight,
- uniforms not suitable for everyday use (specialty clothing bearing MG logo only worn on University of Illinois Extension MG business)<sup>9</sup>
- required continuing education course fees, material costs
- convention costs of a **chosen representative** who attends convention of a qualified organization, including unreimbursed expenses for travel, meals and lodging, while away from home overnight in connection with the convention

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<sup>9</sup> Master Gardeners are expected to identify themselves as such only when doing unpaid public service work in this University of Illinois Extension-sponsored program.

so long as they are **directly connected with and solely because of the volunteer services and there is no significant element of personal pleasure**. These are deductible whether they are incurred in connection with the volunteer work or required continuing education.

NOTE: There is **no deduction for purchase of books** that remain in your personal library.

NOTE: Also, out-of-pocket expenses connected with excursions to far-away places, while educational, are not deductible.

### **Schedule A, Line 17: Other than by Cash or check**

17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500 . . . 17

Line 17 refers to **non-monetary gifts**. Enter the value of the total of all your non-monetary gifts on Line 17.

- Plants and other items for re-sale, fundraising
- Books, supplies, equipment donated for use in the office
- Gardening project plants and supplies

Again, “gift of \$250 or more” refers to a single item whose value is \$250 or more, not to the total of all the items. (As for single gifts of money valued at \$250 or more, this triggers receipt requirement from the donee organization.)

If total of all non-cash contributions indicated on Line 17 is over \$500, file Form 8283 which provides a description of the property, the date the property was acquired by the taxpayer, how the property was acquired and the taxpayer’s cost or other basis.

**Gifts-in-Kind to the University of Illinois\*:** Tangible real and personal property other than monetary gifts must be processed through an Extension County Office according to the University’s established gift policy and procedures. Before the gift is physically received the University must know the nature of the gift and determine if it will benefit the University. After the gift has been received and processed through the University the donor will be sent a tax receipt on behalf of the University. Gifts-in-kind that do not have long-term benefit to the University will not be processed as a gift-in-kind through the University. In most cases, plants and related gardening materials and supplies would not be processed as a gift-in-kind by the University. It is recommended you consult your financial advisor if you have any questions related to gifts-in-kind that are not processed through the University gift process.

### **IV. Calculating the deduction:**

The **deductible amount for donations of money and most out-of-pocket expenses**, i.e., parking fees and tolls, air, train and bus transportation, taxi fares, lodging costs (not lavish or extravagant) if overnight travel is required, meals (not lavish or extravagant) if traveling away from home overnight, uniforms not suitable for everyday use, continuing education course fees

and course material costs if any, unreimbursed costs of a chosen representative who attends convention of a qualified organization, is the **amount you actually paid**.<sup>10</sup>

**Deduction** for out-of-pocket expenses from use of MG's own **vehicle** is **either actual expense for gas and oil** (but not for all expenses of maintaining vehicle) **or standard mileage allowance**.

Actual expense =  $\frac{\text{total volunteer miles}}{\text{Total miles for yr}} \times (\text{total gas} + \text{oil for year})$

**For 2010, the standard mileage allowance is fourteen cents per mile.**<sup>11, 12</sup>

REMEMBER: Parking and tolls are deductible whether you account for personal vehicle expense by actual expense or standard mileage.

Deduction for contributions of **property**:

General rule for donations of property that decreases in value (e.g., gently used clothing) is that the value is determined by the **fair market value** of the property at the time of the contribution.

The **fair market value** is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.<sup>13</sup>

Where the property will be immediately resold, the fair market value is the resale price.

The deduction for tools or supplies you donate for use in the office or in a demonstration would be fair market value.

The fair market value of a left-over flat of plants you recently purchased, would be the proportional part of the price you paid attributable to the plants donated.

**Other Plants are subject to different rules:**

There are special rules for property that increases in value, e.g., live plants which you have grown. Live plants which you have grown are either ordinary income property if you held them for one year or less or capital gain property if they have been growing on, i.e., if you have held them for over one year.

For ordinary income property, i.e., property held for one year or less, your deduction for the contribution is limited to your basis in the property, i.e., what you paid for the plants, seeds, soil, pots, fertilizer, etc..

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<sup>10</sup> Publication 526, Charitable Contributions (2010), p. 6.

<sup>11</sup> 26 USC Section 170(i).

<sup>12</sup> Note: this mileage rate can change from year to year. The 14 cent/mi. rate has been in effect since 1997.

<sup>13</sup> 26 CFR 1.170A-1 (c)(2).

For capital gain property which includes plants which you owned for more than one year whether or not the plants have been attached to your land, the contribution is limited to your basis (cost to acquire and grow them) which will almost certainly be less than the fair market value unless, you agree to limit your total deduction for all charitable contributions to 30% of your adjusted gross income, shown on line 38 of Form 1040. If you agree to limit your total deduction for charitable contributions for the year to 30% of your adjusted gross income, then you can deduct the fair market value of the plants, which will almost certainly be more than the basis.

Keep a record of your actual expense in producing the plant which is donated.

## **V. Limits on deductions:**

- 50% of adjusted gross income for gifts to churches, educational organizations, governmental units;
- 30% of adjusted gross income for capital gain property which you contributed to churches, educational organizations, governmental units;
- 20% of adjusted gross income for gifts to other types of charities (not 50% limit charities) (The charity should be able to tell you whether it is a 50% limit charity).

Charitable contributions in excess of 50% of your adjusted gross income are subject to special carry over rules.

## **VI. Recordkeeping:**

### **Complete, timely and accurate written records are required.**

For **monetary** gifts, reported on Schedule A, Line 16, (cash, check, credit card, etc.) donor must maintain as a record a bank record, credit card statement or a written communication from the donee, or other reliable written record<sup>14</sup> showing the name of the donee organization, the date of the contribution, and the amount of the contribution.<sup>15</sup>

Factors indicating reliability include:

- Contemporaneous writing
- Regularity of record keeping procedures
- Written or other evidence from the charitable organization evidencing receipt of the donation.

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<sup>14</sup> 26 CFR 1.170A-13(a)(iii).

<sup>15</sup> 26 USC Sec. 170(f)(17)

Gifts of single payments or single items equal to or exceeding \$250 trigger a requirement that the taxpayer get and retain a **written** acknowledgement from the qualified organization that includes information about:

- whether any goods or services were provided to the taxpayer in exchange for the gift, and
- the charity's good faith estimate of the value of any goods or services provided by the charity, and
- the amount that is deductible as a charitable contribution.

### **Out-of-pocket expenses for travel and education:**

IRS wants detailed records in a book, diary, statement of expense, or similar record, showing the date, place and purpose of your expense. (I put mine on the calendar. Query whether you could note your mileage in the comments section of your on-line reporting?)

**Cars:** People using either the standard mileage deduction or actual vehicle expenses **will** have a log showing total mileage for the year, plus date, place and purpose of travel for charity for each trip. The log for actual vehicle expenses will also show the actual amounts spent throughout the year for gas and oil.

IRS likes to see starting and ending odometer readings.

For donations of **property other than money**, maintain a receipt from the donee showing the date and location of the contribution, description of the property in detail. "A letter or other written communication from the donee acknowledging receipt of the contribution, the date of the contribution and a description of the property is sufficient." "A receipt is not required if the contribution is made in circumstances where it is impractical to obtain a receipt, in which case the taxpayer must maintain reliable written records with respect to each item of donated property that includes the date and location of the contribution and description of the property."<sup>16</sup>

**Keep all receipts, cancelled checks, bills that support the claim.**

**Keep your records for three years.**

*\*Additional information provided by the University of Illinois Extension.*

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<sup>16</sup> Pub. 526 (2010), p. 19.