

# NEW CHARITABLE CONTRIBUTION RULES

Substantiation of non-cash, charitable contributions has been an area about which the IRS has long complained. Donors have frequently taken deductions for the donation of cars, boats, and airplanes far in excess of the value of the gift to the charity. To solve this problem H.R. 4520 was passed on October 11, 2004. This bill amends section 170(f) of

the Internal Revenue Code. Now no deduction over \$500.00 will be

allowed for the donation of vehicles unless the donor obtains a contemporaneous acknowledgement from the donee that includes the vehicle identification number AND 1) the gross proceeds the charity received from the sale of the vehicle, OR 2) a statement the charity will be using the vehicle personally to help it carry out its charitable pursuits. This acknowledge-

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ment must be provided to the donor within 30 days of the sale of the vehicle or the decision to retain the vehicle for use by the charitable organization. This change also provides for severe penalties to charities that fraudulently acknowledge such donations. The change becomes effective in 2005. In addition, section 170(e)(1) of the Code was amended to include additional restrictions on the treatment of charitable contributions of patents and other intellectual property. While these may not be typical contributions received by churches, if such contributions are received, churches will be expected to comply with IRS rules and should always know what their obligations are regarding substantiation of all types of charitable contributions.

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