

Identifying Charities Eligible to Receive Tax Deductible Contributions

If you're counting on a federal income tax deduction for donating to a charity, you should confirm that the charity has been approved by the IRS as a tax-exempt organization eligible to receive deductible contributions. Here's what you need to know, starting with the basics.

Charitable Contribution Deduction Basics

Everybody knows the American Red Cross, the Salvation Army, and Goodwill are IRS-approved tax-exempt charities. To claim federal income deductions for contributions to such well-known organizations, you should obtain written receipts for cash contributions of \$250 or more (additional requirements may apply to certain non-cash contributions). For contributions of less than \$250 made by check or credit card, keep the cancelled check or credit card statement to satisfy the IRS. But what about verifying that tax deductions are allowed for contributions to less well-known charities? Good question. Please keep reading.

How to Identify Tax-exempt Organizations

To determine which organizations are tax-exempt outfits eligible to receive deductible contributions, follow this procedure.

1. Access the IRS website home page at **www.irs.gov**.
2. At the top of the home page, enter "Publication 78" in the search bar.
3. Click on "Exempt Organizations Select Check."
4. Click on the blue "Exempt Organizations Select Check Tool" box.
5. Under "Limit search to organizations that (select only one)," select "Are eligible to receive tax-deductible contributions."
6. To the extent you've got the requested information, fill in the blanks for the charity you're searching for. You probably won't have the charity's EIN, but if you know its name and the city and state where it's located, that should be sufficient. Hit the search key.
7. A (probably long) list of charities will appear. Scroll down until you find the one you're looking for. By clicking on the "Legal Name" link at the top of the list, you can organize the list alphabetically by name of organization. You can also organize the list by the cities where organizations are located.
8. Once you find the line for the charity you're searching for, click on the "Deductibility Status" link on the far right. For example if the status is PC, the organization is a public charity (the most common kind). You can make deductible donations of up to 50% of your adjusted gross income (AGI) to one or more public charities. (AGI is the number at the bottom of page 1 of your Form 1040; it includes all your income items and subtractions for certain deductible items such as IRA contributions, alimony paid to an ex-spouse, and self-employed health insurance premiums.) If the organization's status is SOUNK, the outfit is a supporting organization of an unspecified type. You can make deductible contributions of up to 50% of AGI to such organizations. If the status is PF, the organization is a private foundation. You can make deductible contributions of up to 30% of AGI to one or more private foundations. Contact us for details on the deduction limitations that apply to charitable contributions.

What If an Organization Is Not on the IRS-approved List?

This is not necessarily a deal-breaker. For example, some churches and church-related organizations may not appear on the IRS website's list of tax-exempt organizations because they are not actually required to apply to the IRS for tax-exempt status. That said, many churches do apply for and receive IRS-approved status to establish their legitimacy in the eyes of potential contributors.

For a non-church organization, not being on the IRS-approved list doesn't necessarily mean it's *not* IRS-approved, but serious skepticism is appropriate. Follow this procedure to figure out what's going on.

1. On the IRS website, go back to the blue “Exempt Organizations Select Check Tool” page and select “Were automatically revoked.” Fill in the blanks to the extent you know the requested information for the organization and hit the search key.
2. You will see a list of organizations that have had their tax-exempt status automatically revoked due to failure to turn in required annual forms to the IRS. If an organization is on this list, you can see the date its tax-exempt status was revoked and the date the revocation was posted on the IRS website. Contributions made after the posting date will not be tax deductible unless the organization has regained tax-exempt status, which is possible. If you’re still interested in making a contribution, ask the organization to send you a copy of the IRS determination letter showing that its tax-exempt status was reinstated.
3. If you don’t find the organization on the automatically revoked list, go back to the “Exempt Organizations Select Check” home page. At the bottom of the page, click on the links to “Recent Revocations of 501(c)(3) Determinations” and “Suspensions Pursuant to Code Section 501(p).” Contributions to organizations on these two lists will not be tax deductible.
4. If you don’t find the organization on the aforementioned revoked or suspended lists, it’s possible that IRS approval has been received so recently that the organization simply has not yet been put on the approved list. If you’re still considering a contribution, ask the organization to send you a copy of the IRS determination letter that recognizes its tax-exempt status.

Conclusion

It’s smart to be skeptical about making significant contributions to organizations that claim to be tax-exempt organizations. Taking the steps outlined in this letter is probably a good idea even if you don’t care about a tax write-off. If you have questions or want more information about deducting charitable contributions, please contact us.