



Tax Deductions for Volunteers

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Never pay tax for any Scouting Purchases as a Volunteer

BUT

Make sure you don't break the law

I'm not a CPA

Be sure that you read and understand the IRS rules and regulations

IRS Governing Documents

- Publication 526 - <http://www.irs.gov/pub/irs-pdf/p526.pdf>
 - All the rules
- Publication 78 - <http://www.irs.gov/charities/article/0,,id=96136,00.html?portlet=7> / <http://www.irs.gov/app/pub-78/>
 - List of all the recognized charities
- Both publications are included on your CD
- This class will focus only on the BSA, other charities are similar. You must read up on the rules as they apply to each charity, because they do differ

What is a deduction? ¹

- A tax deduction (or a tax-deductible expense) affects a taxpayer's income tax. A tax deduction represents an expense incurred by a taxpayer. There are variable amounts that you can subtract, or deduct, from your gross income.
- A deduction is subtracted from gross income when the taxpayer computes his or her income taxes. As a result, the tax deduction will lower overall taxable income and thus lower the amount of tax paid.
- The exact amount of tax savings is dependent on the tax rate and can be complicated to determine. For some higher-income taxpayers, claiming all eligible tax deductions would result in having to pay the alternative minimum tax, and would result in a higher amount of tax paid.

¹Wikipedia.org

Who can deduct?

- To deduct your charitable contributions, you must itemize deductions on Schedule A (Form 1040) or Schedule A (Form 1040NR).
 - If you don't have enough deductions to itemize, you can't deduct your charitable contributions
 - The "standard deduction" takes care of everyone else

What May be deducted?

- Donations of money
- Donations of property (real estate, stocks, bonds, etc...)
 - The contributions must be made to the Council, not set aside for use by a specific person (for instance the Camp Ranger)
- Membership fees/dues
- Out-of-pocket expenses when you serve as a volunteer
- Your deduction for charitable contributions is generally limited to 50% of your adjusted gross income
 - Insures that you can't deduct more than you earn
 - For 2009, if your gross income > \$166,800 (\$83,400 if you are married filing separately) special rules apply

Out-of-Pocket Expenses

- **Criteria**
 - Unreimbursed
 - Directly connected with your volunteer activity
 - Expenses you had only because of the services you gave
 - Not personal, living, or family expenses

Out-of-Pocket Expenses

- Uniforms
- Membership fees/dues
- Car expenses
 - Gas & Oil directly related to usage as a volunteer for the BSA, parking fees, and tolls
 - Not general repair and maintenance expenses, depreciation, registration fees, or cost of tires or insurance
 - If you don't deduct actual expenses, you may deduct 14 cents per mile to figure your contribution
 - Note that this is significantly less than unreimbursed business mileage, as it is set by statute, rather than by the IRS

Out-of-Pocket Expenses

- **Travel expenses**
 - Only if there is no significant element of personal pleasure, recreation, or vacation
 - You are paying the expenses indirectly if you make a payment to the BSA and the BSA pays for your travel expenses
 - Includes meals, airfare, hotel room, etc...

What Can't be deducted?

- The value of your time or services
 - While the value of your time is not deductible, the cost of materials and other tangibles donated while providing that service are deductible
- The value of income lost while an unpaid volunteer for the BSA
- The cost of meals you eat while you perform services for the BSA unless it is necessary for you to be away from home overnight while performing the services
- The benefit of donation defined:
 - If you receive a benefit as a result of making a contribution to the BSA, you can deduct only the amount of your contribution that is more than the value of the benefit you receive. For instance, if you pay for a ticket to a charity dinner, you may deduct only the amount above the cost of the meal.

Example

- You are a parent for a BSA Scout Troop, and help take the group on a camping trip.
- You are responsible for overseeing the setup of the camp and for providing adult supervision for 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 troop home.
- Deductible?

Example 2

- You accompany the scout troop on a trip to Gettysburg, where they will be earning the Heritage Trail award.
- You have family in the area, so rather than spend the night with the troop, you spend the evenings with relatives.
- Daily you commute back to work with the troop to earn the Billy Yank and Johnny Reb patch segments.
- Deductible?

Cars, Boats, Airplanes

- Donate away, but be aware of some special rules.
 - If you deduct \$500 or less for the donation, no special rule
 - If >\$250, must have a letter from the BSA acknowledging the donation
 - More than \$500
 - You may deduct the gross proceeds from the sale of the vehicle by the BSA OR
 - The vehicle's fair market value on the date of the donation. Special rules apply if the vehicle has increased in value since you purchased it, so read up on those special rules
 - Special rules if you are a dealer donating your inventory
 - You must receive an IRS form 1098-C to be able to deduct a vehicle donation, which must be received within 30 days of the donation

Property

- If it has decreased in value, you are limited to its fair market value. You can not deduct your basis, usually resulting in a loss
- If it has increased in value:
 - “Ordinary Income Property” (property held less than a year) is generally limited to your basis
 - “Capital Gain” property is generally fair market value
 - There are special rules, so read up to be sure you don’t fall into one of them

Required Records

- The burden of proof is upon you, not the BSA. Be sure that you receive any records required in a timely manner after the donation or service
- The BSA must give you a written statement if you make a payment (more than \$75) that is partly a contribution and partly for goods/services. The statement must tell you that you can deduct only the amount of your payment that is more than the value of goods/services that you received. It must also give you a good faith estimate of the value of those goods/services

Required Records

- **Cash donation (<\$250)**
 - Bank record- Canceled check, bank statement, credit card statement
 - Receipt from the BSA
 - Pay stub showing payroll deduction AND a pledge card prepared by the BSA with the BSA listed as payee
 - 10- \$25 donations count as 10 donations, not \$250
- **Cash donation (>=\$250)**
 - Must have a written acknowledgement by the BSA, including the date of donation
 - Meet certain reporting requirements
 - Must be certain deadline requirements

Required Records

- Non-cash donation
 - Categories include <\$250, \$250→\$500, \$500→\$5000, >\$5000
 - Records vary by category, but generally include:
 - Receipt or letter of acknowledgement from the BSA that meets certain requirements
 - You must keep records of when and where the donation was made and fair market value and basis, as well as the charity address

Required Records

- **Out-of-Pocket Expenses**
 - Adequate records to prove the amount of the expenses
 - An acknowledgement from the BSA that contains:
 - A description of the service
 - A statement of goods, services, or reimbursement provided
 - A description and good faith estimate
 - A statement that no benefit was received

Required Records

- **Car Expenses**
 - **Reliable written records of the expense**
 - **The name of the organization (BSA)**
 - **If you used the standard mileage rate of 14 cents/mile, your records must show the miles you drove your car for the charitable purpose.**
 - **If you deduct your actual expenses, your records must show the costs of operating the car that are directly related to a charitable purpose**

How to report

- **Cash contributions & Out of Pocket Expenses**
 - Form 1040 Schedule A line 16
- **Non-cash contributions**
 - Form 1040 Schedule A line 17
 - >\$500 pertinent section of Form 8283
- **Vehicle donation- attach copy of Form 1098-C**
- **Clothing/household goods not in good condition must be appraised before you can deduct more than \$500**

Before you donate ... “Stuff”

- Scout camp has long been the location where people take “stuff” that they can’t bear to throw away
- Please be sensitive that many other people may have donated the same “stuff” before you did
- Please ask before donating and not be offended if you get an answer other than “yes”. We may need it, but we also may have 75 just like it