



The Rodman Report - September 16th, 2010



Everything You Need to Know About Documenting Charitable Contributions

by Thomas Astore - Tax Director

While all contributions must be substantiated, contributions of \$250 or more require a written receipt from the charity. If you donate property valued at more than \$500, additional requirements apply.

General rules. For a contribution of cash, check, or other monetary gift, regardless of amount, you must maintain a bank record or a written communication from the donee organization showing its name, plus the date and amount of the contribution. It's not sufficient to maintain other written records, such as a log of contributions.

For a contribution of property other than money, you generally must maintain a receipt from the donee organization showing its name, the date and location of the contribution, and a detailed description (but not the value) of the property. You need not obtain a receipt for a property donation, however, if circumstances make obtaining a receipt impracticable. In that case, you must maintain a reliable written record of the contribution. The information required in such a record depends on factors such as the type and value of property contributed.



Stricter substantiation requirements apply in the case of charitable contributions with a value of \$250 or more. No charitable deduction is allowed for any contribution of \$250 or more unless you substantiate the contribution by a contemporaneous written acknowledgement of the contribution by the donee organization. You must have the receipt in hand by the time you file your return (or by the due date, if earlier) or you won't be able to claim the deduction.

The acknowledgement must include the amount of cash and a description (but not value) of any property other than cash contributed, whether the donee provided any goods or services in consideration for the contribution, and a good faith estimate of the value of any such goods or services. If you received only "intangible religious benefits," such as attending religious services, in return for your contribution, the receipt must say so. This type of benefit is considered to have no commercial value and so doesn't reduce the charitable deduction available.

If you make **separate contributions of less than \$250**, you won't be subject to the requirement to get a written receipt, even if the sum of the contributions to the same

charity total \$250 or more in a year. Also, if you have contributions withheld from your wages, the deduction from each payment of wages is treated as a separate contribution for purposes of the \$250 threshold.

In general, if the **total charitable deduction you claim for non-cash property is more than \$500, you must attach a completed Form 8283 (Noncash Charitable Contributions) to your return or the deduction is not allowed.** In general, you are required to obtain a qualified appraisal for donated property with a value of more than \$5,000, and to attach an appraisal summary to the tax return. A qualified appraisal isn't required for publicly-traded securities for which market quotations are readily available. A partially completed appraisal summary and the maintenance of certain records are required for (1) Non-Publicly-traded stock for which claimed deduction is greater than \$5,000 and no more than \$10,000, and (2) Certain publicly-traded securities for which market quotations are not readily available. A qualified appraisal is required for gifts of art valued at \$20,000 or more. IRS may also request that you provide a photograph.

If an item has been appraised at \$50,000 or more, you can ask IRS to issue a "Statement of Value" which can be used to substantiate the value.

Recordkeeping for contributions for which you receive goods or services. If you receive goods or services, such as a dinner or theater tickets, in return for your contribution, your **deduction is limited to the excess of what you gave over the value of what you received.** For example, if you gave \$100 and in return received a dinner worth \$30, you can deduct \$70. But your contribution is fully deductible if:

- you received free, unordered items from the charity that cost no more than \$9.60 in 2010 (\$9.50 in 2009) in total;
- you gave at least \$48.00 in 2010 (\$47.50 in 2009) and received only token items (bookmarks, key chains, calendars, etc.) that bear the charity's name or logo and cost no more than \$9.60 in 2010 (\$9.50 in 2009) in total; or
- the benefits that you received are worth no more than 2% of your contribution and no more than \$96 in 2010 (\$95 in 2009).

If you made a contribution of more than \$75 for which you received goods or services, the charity must give you a written statement, either when it asks for the donation or when it receives it, that tells you the value of those goods or services. Be sure to keep these statements.

Cash contribution made through payroll deductions. A contribution that you make by withholding from your wages may be substantiated by a pay stub, Form W-2, or other document furnished by your employer that shows the amount withheld for the purpose of a payment to a charity. You can substantiate a single contribution of \$250 or more with a pledge card or other document prepared by the charity that includes a statement that it doesn't provide goods or services in return for contributions made by payroll deduction.

The deduction from each wage payment of wages is treated as a separate contribution for purposes of the \$250 threshold.

Substantiating contributions of services. Although you **can't deduct the value of services you perform for a charitable organization**, some deductions are permitted for out-of-pocket costs you incur while performing the services. You should keep track of your expenses, the services you performed and when you performed them, and the organization for which you performed the services. Keep receipts,

anceled checks, and other reliable written records relating to the services and expenses.

As discussed above, a written receipt is required for contributions of \$250 or more. This presents a problem for out-of-pocket expenses incurred in the course of providing charitable services, since the charity doesn't know how much those expenses were. However, you can satisfy the written receipt requirement if you have adequate records to substantiate the amount of your expenditures, and get a statement from the charity that contains a description of the services you provided, the date the services were provided, a statement of whether the organization provided any goods or services in return, and a description and good-faith estimate of the value of those goods or services.

Please call me if you have any questions about these rules. Together we can make sure that you'll get all the deductions to which you're entitled come next filing deadline.

When Should You Call A Collection Attorney?

by Attorney Robert D. Ahearn

You or your business performs a service or provides goods to your customers and you expect to be paid on time. What if your customer does not pay? You call them and they assure you that payment is on its way. "The check is in the mail." It never arrives. You call again and again. Same result. How long do you wait before you take action to collect money owed to you: 30, 45, 90 days? Most times you want to maintain some sort of goodwill but in the end you want your money.

In these economic times, I advise my business collection clients that they should not wait very long before referring the debt to me. Chances are you are not the only person/entity that this customer owes money to. By retaining a collection attorney you send a strong message that you want to be paid and will resort to legal action if necessary. In most cases, the initial step is simply a demand letter by the attorney demanding payment but more importantly giving them a deadline to pay your bill. A demand letter from an attorney is more powerful than a notice from a collection agency because the attorney can take the next step and actually file a civil lawsuit against the debtor. The demand letter can be drafted in a manner that would reflect your desire to maintain goodwill and a future business relationship. If you do not desire to maintain a relationship, the demand letter can be much more direct.



When you retain a collection attorney you are not throwing good money after bad money as the attorney's fee is dependent on recovery of your money. Typically, the fee is 1/3 of the amount collected. If the attorney fails to collect your money, they do not get paid. To avoid giving an attorney 1/3 of the money owed to you, I advise my client to include the following clause in their contracts, invoices or proposals:

"Payment is due within 30 days. If not paid within 30, customer agrees to pay interest at rate of 1½% percent per month. We may also proceed with collection efforts. If we proceed with collection efforts then customer agrees to be liable for all attorney's fees and costs associated with collection efforts."

If this clause is contained in your contract, invoice or proposal AND it is signed by the customer prior to services or goods being provided, then the customer is liable for attorney's fees in

addition to the balance owed to your company.

If they don't pay by the deadline in the demand letter then a civil lawsuit can be filed. A collection attorney may seek to simultaneously attach real estate, a bank account or any other assets available to satisfy a judgment against the debtor.

For more information, please contact Attorney Bob Ahearn, Law Offices of Robert D. Ahearn, P.C. 15 Cottage Ave., Quincy, MA 02169, 617-773-8890, email bob@attorneyahearn.com or go to www.attorneyahearn.com.

Business Getting Results Groups Looking To Grow

by Larry Rice, Director

Our Braintree-based **Business Getting Results (BGR)** groups are off the ground and running. I moderate 2 separate groups that meet once a month on Thursday. One group meets in the morning and one in the late afternoon on the same day. Both groups are looking to add a member or two to strengthen those groups and provide a greater cross-section of business knowledge and experience to share.



BGR has its goal growing the profitability and value of the businesses participating. By meeting in small groups of 8 or less, members receive the dual benefit of individual attention to their specific challenges, while simultaneously having an outside Board of Advisors who provide ideas, feedback and best practices that they can take back to their businesses. Each meeting is unique, educational, challenging, but each aims to find solutions to business challenges common to all.

A third benefit is the modest fee for joining BGR. Its \$99 per month, with two free months of membership when you join for a year.

BGR is a program for business owners and key players in business who need a group of peers to learn from, bounce ideas off of and to help them strategize their business for growth. It can also be a great networking opportunity.

If you are interested, give me a call at 508.740.2255 or email me at larry@rodmancpa.com and we'll see if BGR is a good fit for you. The first BGR meeting you attend is **free** and without any obligation whatsoever. If you like what you see, join.

Our next meetings are scheduled for September 23rd. The morning meeting runs from 7:30 a.m. - 9:30 a.m. and the afternoon meeting is 4:30 p.m. - 6:30 p.m. Both meet in our conference room at 25 Braintree Hill Office Park. I look forward to hearing from you if you are interested.

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Thank you for checking in on The Rodman Report. We'll see you next time.

Best regards,

The Rodman Team

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