Charitable Deductions for Donations of Non-cash Property

What can we learn about non-cash donations from deductions reported on individual income tax returns?

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The views and opinions expressed are those of the author and do not necessarily represent official Treasury positions or policy.

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Some background on the SOI data collection program on non-cash donations.

- Collection of data began in 2003.
- SOI records information on individual donations reported on Form 8283, including:
  - taxpayer descriptions of property
  - values
- SOI classifies by types of asset and donee.
- Sample: Annual SOI cross-section of about 40,000 returns.
- Most taxpayers report non-cash donations only on Schedule A (no details), but most of the dollar amounts are on Form 8283.
- Data can be found at irs.gov/TaxStats
Individual Cash, Noncash and Total Charitable Deductions, 1988-2010

Source: IRS Statistics of Income
## Major Types of Non-cash Donations

(billions of dollars)

<table>
<thead>
<tr>
<th>Type &amp; Form</th>
<th>2007</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities</td>
<td>27.1</td>
<td>16.9</td>
</tr>
<tr>
<td>Real estate</td>
<td>8.1</td>
<td>6.1</td>
</tr>
<tr>
<td>Clothing</td>
<td>7.6</td>
<td>8.3</td>
</tr>
<tr>
<td>Household items</td>
<td>5.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Other</td>
<td>4.9</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Form 8283 Total</strong></td>
<td><strong>52.8</strong></td>
<td><strong>38.9</strong></td>
</tr>
<tr>
<td><strong>Sch. A only</strong></td>
<td><strong>5.9</strong></td>
<td><strong>5.4</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58.7</strong></td>
<td><strong>44.3</strong></td>
</tr>
</tbody>
</table>
## Major Types of Charities Receiving Non-Cash Donations

(billions of dollars)

<table>
<thead>
<tr>
<th>Type of Donee</th>
<th>2005</th>
<th>2007</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social welfare</td>
<td>11.2</td>
<td>12.3</td>
<td>11.4</td>
</tr>
<tr>
<td>Foundations</td>
<td>9.8</td>
<td>14.1</td>
<td>8.7</td>
</tr>
<tr>
<td>Donor-advised funds</td>
<td>1.6</td>
<td>3.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Education</td>
<td>4.2</td>
<td>8.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Health</td>
<td>1.6</td>
<td>1.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Religious Org.</td>
<td>4.5</td>
<td>4.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Arts and culture</td>
<td>1.3</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>6.8</td>
<td>7.3</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41.1</strong></td>
<td><strong>52.8</strong></td>
<td><strong>38.9</strong></td>
</tr>
</tbody>
</table>
### Types of Donated Property Varies by Income, 2007

<table>
<thead>
<tr>
<th>AGI Class</th>
<th>Total $ Amounts ($billions)</th>
<th>Stock %</th>
<th>Real Estate %</th>
<th>Clothing and HH Items %</th>
<th>Other %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $100k</td>
<td>7.5</td>
<td>5</td>
<td>3</td>
<td>69</td>
<td>24</td>
</tr>
<tr>
<td>$100-200k</td>
<td>6.1</td>
<td>10</td>
<td>4</td>
<td>72</td>
<td>14</td>
</tr>
<tr>
<td>$200-$1m</td>
<td>9.9</td>
<td>29</td>
<td>40</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>$1m-10m</td>
<td>11.7</td>
<td>62</td>
<td>22</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>$10m +</td>
<td>17.6</td>
<td>80</td>
<td>6</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52.8</strong></td>
<td><strong>48</strong></td>
<td><strong>15</strong></td>
<td><strong>22</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>
The Effects of Policy Change: Vehicles

- Returns in 1,000s
- Average Deduction
- Total Deduction in $millions

Years: 2003 to 2010

Legend:
- Ave $
- $m Total
- Returns
Another Policy Change: Clothing

Graph showing the total deduction in millions, returns in thousands, and average deduction over the years from 2004 to 2010.
Conservation and Facade Easements, 2004-2010

Total Deductions

$ millions

$ Ave. Deduction in $1000s

2004 2005 2006 2007 2008 2009 2010

$Ave.Ded.  Total $m
Noncash Charitable Contributions

Attach to your tax return if you claimed a total deduction of over $500 for all contributed property.

See separate instructions.

Note. Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of $5,000 or Less and Certain Publicly Traded Securities—List in this section only items (or groups of similar items) for which you claimed a deduction of $5,000 or less. Also, list certain publicly traded securities even if the deduction is more than $5,000 (see instructions).

Part I Information on Donated Property—if you need more space, attach a statement.

<table>
<thead>
<tr>
<th></th>
<th>(a) Name and address of the donee organization</th>
<th>(b) Description of donated property (For a donated vehicle, enter the year, make, model, condition, and mileage, and attach Form 1098-C if required.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. If the amount you claimed as a deduction for an item is $500 or less, you do not have to complete columns (d), (e), and (f).

<table>
<thead>
<tr>
<th></th>
<th>(c) Date of the contribution</th>
<th>(d) Date acquired by donor (mo., yr.)</th>
<th>(e) How acquired by donor</th>
<th>(f) Donor’s cost or adjusted basis</th>
<th>(g) Fair market value (see instructions)</th>
<th>(h) Method used to determine the fair market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Section B. Donated Property Over $5,000 (Except Certain Publicly Traded Securities)—List in this section only items (or groups of similar items) for which you claimed a deduction of more than $5,000 per item or group (except contributions of certain publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

## Part I: Information on Donated Property
To be completed by the taxpayer and/or the appraiser.

4. Check the box that describes the type of property donated:
   - [ ] Art (contribution of $20,000 or more)
   - [ ] Qualified Conservation Contribution
   - [ ] Equipment
   - [ ] Art (contribution of less than $20,000)
   - [ ] Other Real Estate
   - [ ] Securities
   - [ ] Intellectual Property
   - [ ] Other

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.*

**Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not as defined above.

Note: In certain cases, you must attach a qualified appraisal of the property. See instructions.

### S
- **A**
  - Description of donated property (if you need more space, attach a separate statement)
- **B**
  - If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift
- **C**
  - Appraised fair market value

### D
- **A**
  - Date acquired by donor (mm, dd, yy)
- **B**
  - How acquired by donor
- **C**
  - Donor's cost or adjusted basis
- **D**
  - For bargain sales, enter amount received

See instructions for details.

## Part II: Taxpayer (Donor) Statement
List each item included in Part I above that the appraisal identifies as having a value of $500 or less. See instructions.

I declare that the following items included in Part I above has to the best of my knowledge and belief an appraised value of not more than $500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions.

Signature of taxpayer (donor) ▶

Date ▶

## Part III: Declaration of Appraiser
I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during the tax year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent statement of the property value as described in the qualified appraisal of this Form 8283 may subject me to the penalty under section 6711(a) (aiding and abetting the understatement of tax liability). In addition, I understand that a substantial or gross valuation misstatement resulting from the appraisal of the value of the property that I knew, or reasonably should have known, would be used in connection with a return or claim for refund, may subject me to the penalty under section 6694(e).

I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

Sign Here ▶

Business address (including room or suite no.) ▶

City or town, state, and ZIP code ▶

## Part IV: Donee Acknowledgment
To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date ▶

Furthermore, this organization attests that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file Form 8283, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? ▶ [ ] Yes ▶ [ ] No

Name of charitable organization (donee) ▶

Employer identification number ▶

Address (number, street, and room or suite no.) ▶

City or town, state, and ZIP code ▶

Authorized signature ▶

Title ▶

Date ▶
Only about 3,300 fill out the lower half of Page 1 vs about 100,000 donations of art, real estate, and other items that could potentially involve donations of partial interests.

Part II

Partial Interests and Restricted Use Property—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest ▶ ___________________.
   If Part II applies to more than one property, attach a separate statement.

b Total amount claimed as a deduction for the property listed in Part I: (1) For this tax year ▶ ___________________.
   (2) For any prior tax years ▶ ___________________.

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):
   Name of charitable organization (donee)

   Address (number, street, and room or suite no.)

   City or town, state, and ZIP code

d For tangible property, enter the place where the property is located or kept ▶ ___________________.

e Name of any person, other than the donee organization, having actual possession of the property ▶ ___________________.

3a Is there a restriction, either temporary or permanent, on the donee’s right to use or dispose of the donated property? ▶ Yes ▶ No

b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire? ▶ Yes ▶ No

c Is there a restriction limiting the donated property for a particular use? ▶ Yes ▶ No
What we don’t know from the data?

• How good are the valuations?
• How do the benefits to the charities and their beneficiaries compare to the amounts deducted?
• How soon do donations to DAFs reach the charities?
  – How many accounts seem dormant for long periods?
• Less information on corporate donations.
• What is happening with easements? Is the decline due to the recession or changes in enforcement?
• How might tax reform affect donations? What are the effects of a 2% floor? Conversion to a credit?