

# The Treatment of Charitable Donations for Tax Purposes



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# Talking to Potential Donors About Qualifying Deductions

- **Will The Donation Qualify for a Charitable Deduction for Federal and State Income Tax Purposes?**
- **Will the Contribution Qualify for the New Endow Iowa Tax Credit?**
  - ~ For a Deduction to be Eligible as a Charitable Deduction, it Must be a Contribution of Cash or Property to a “Qualified Organization”.
  - ~ Not All Non-Profit Organizations are “Qualified Organizations”.

# Non-Profit Status of Organizations



- **All Section 501(c) Organizations are exempt from Income Tax.**
- **However, Only Section 501(c)(3) Organizations Can Assure Deductibility of Contributions for Income, Gift, and Estate Tax Purposes.**

# 5 Entities Qualified to Receive Deductible Charitable Contributions

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- (1) A State or Possession of the United States or any Political Subdivision, the United States, or District of Columbia**
- (2) Certain Corporations, Trusts, or Community Chests, Funds, or Foundations**
- (3) A Post or Organization of War Veterans, or an Auxiliary Unit or Society of, or Trust or Foundation for, any Such Post or Organization** →

# Qualified Entities Continued....

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- (4) Domestic Fraternal Societies, Orders or Associations, Operating Under the Lodge System (if the contribution or gift is used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals).**
- (5) Certain Cemetery Companies Owned and Operated Exclusively for the Benefit of Their Members**

# Finding Qualified Organizations

## IRS Master List

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- **Publication No. 78**
- **Updated Quarterly**
- **List is Not All-Inclusive**
- **Internet Search for Qualified Organizations:**

<http://www.irs.gov/charities/article/0,,id=96136,00.html>

- **Information By Phone:**  
**877-829-5500**

# Organization Designations



- **Don't Confuse the "Qualified Organization" Designation Under the Income Tax Rules With the new "Qualified Community Foundation" Designation Found in Recent Iowa Legislation.**
- **All "Qualified Community Foundations" are "Qualified Foundations" Under the Internal Revenue Code, But Not All "Qualified Organizations Will Be "Qualified Community Foundations" for the Purposes of the New Endow Iowa Tax Credit.**



# Qualified Foundations Under Iowa Law

- A “Qualified Community Foundation Under the Iowa Law is a Community Foundation Organized or Operated in the State of Iowa that Meets or Exceeds The National Standards Established by the National Council on Foundations.
- Iowa Code § 15E.303(6)
- Internet Access to Council of Foundation Standards Summary: <http://www.cof.org>



# In Conclusion

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**Under the Statute As It is Currently Written, It Appears That a Contribution to a Qualified Community Foundation Will Qualify For Both a Charitable Contribution Deduction and the Endow Iowa Tax Credit.**