

M e m o r a n d u m

To: All American Red Cross, Pikes Peak Chapter Volunteers
From: Paul Jonas
Senior Gift Planning Officer, 1-800-417-0495, then "0" or 303-607-4737
Date: January 22, 2010
Re: Updated for 2009 tax year: Possible income tax deductions for personal expenses incurred on behalf of a charity

We greatly appreciate the time, energy and out-of-pocket costs you devote to our cause. The federal government appreciates your efforts too, and treats some of your costs as charitable contributions that you can deduct on your income tax return if you itemize. This memo tells about the tax aspects of the costs you incur in rendering gratuitous services.

- ***You may deduct unreimbursed expenses*** that you incur incidental to your volunteer work. So fares spent in going from home to our office (or other places where you render services), phone calls, postage stamps, stationery, and similar out-of-pocket costs are deductible as charitable donations.
- You may deduct 14¢ per ***mile when using a vehicle to do volunteer work***. You may also deduct unreimbursed parking and toll costs. If you prefer, you can deduct your actual allowable expenses for gas and oil (tolls and parking too) provided you keep proper records (e.g., credit card receipts, canceled checks, travel diary). However, insurance and depreciation on your car aren't deductible.
- ***If you travel as a volunteer and must be away from home overnight***, reasonable payments for meals and lodging as well as your transportation costs are deductible. Your out-of-pocket costs at a convention connected with your volunteer work are deductible only if you're chosen to represent your church, group, alumni body, etc.
- ***To deduct unreimbursed expenses of \$250 or more*** while providing volunteer services to a charity you must substantiate the deduction with a written receipt and have the receipt in hand ***before*** you file your income tax return. If you file your return after the due date (or after an extended due date), the receipt must nevertheless have been in your hand by the due date (plus any extensions).
- ***For cash gifts, regardless of the amount***, recordkeeping requirements are satisfied only if you maintain as a record of the contribution, a bank record or a written communication from the donee showing the name of the donee and the date and amount of the contribution. A bank record includes canceled checks, bank or credit union statements and credit card statements. Bank or credit union statements should show the name of the charity and the date and amount paid. Credit card statements should show the name of the charity and the transaction posting date. The recordkeeping requirements will not be satisfied by maintaining other written records. Donations of money include those made in cash, by check, electronic funds transfer, credit card and payroll deduction.

- A volunteer who ***has unreimbursed expenditures of \$250 or more*** while providing volunteer services to a charity is treated as having obtained a receipt from the charity (and thus may deduct those expenses) if the volunteer has adequate records for his or her volunteer expenses (those generally required to substantiate deductions) and obtains an abbreviated receipt from the charity. The receipt must contain: (1) a description of the volunteer's services; (2) a statement whether the charity provided any goods or services in exchange for the unreimbursed expenses; (3) a description and good faith estimate of the value of any goods or services provided (if the goods or services provided consist of any intangible religious benefits, the receipt must so state); and (4) if no goods or services were provided, the receipt must so state.
- The IRS says that if a donor makes a single contribution of \$250 or more in the form of unreimbursed expenses, e.g., out-of-pocket transportation expenses incurred in order to perform donated services for an organization, then the donor must obtain the written acknowledgment described above from the organization. ***Separate contributions of less than \$250 are not subject*** to the "\$250 or more" substantiation requirements even if the sum of the contributions to the charitable organization during a taxable year equals more than \$250.
- ***You may not deduct travel expenses*** as charitable gifts if there's a significant element of personal pleasure, recreation or vacation in the travel. But enjoying your volunteer work doesn't rule out a deduction. For example, an on-duty troop leader for a tax-exempt youth group who takes children belonging to the group on a camping trip may deduct qualifying travel expenses even if he or she enjoys the trip or likes supervising children.
- You may also deduct unreimbursed expenses you incur in ***operating your personal property*** while performing your volunteer work (e.g., the cost of processing pictures from your camera). However, you may not deduct insurance and depreciation or the cost of the equipment.
- And ***you may not deduct the value of your services***. For example, suppose the prevailing rate for the services you render is \$50 per hour. If you devote 100 hours during the year rendering those services for us, you may not deduct the \$5,000 value of your services. Although deductions are allowed for property gifts, the IRS doesn't consider your services "property." Also, the use of your home for meetings is not a "property contribution."
- Finally, ***it's up to you to substantiate your deductions*** if the IRS questions them. Be prepared to prove your costs with canceled checks, receipted bills, diary entries, etc. Also be ready to show the connection between the costs and your volunteer work.

The tax aspects and reporting requirements for gifts to the Red Cross depend on your circumstances. To the extent that this material or any attachment concerns tax matters, it is not to be relied on as tax or legal advice. As in all cases, we urge you to seek advice based on your particular situation from an independent tax advisor.