

Money Matters: Volunteering may be tax deductible

By Rick Gross

For many people, volunteerism is about more than simply doing something nice – it's about enriching peoples' lives and making the communities where we live and work a better place. But did you know your stewardship and goodwill may also help you reduce your taxes? Gifts given to charity and other expenses related to volunteering may be tax deductible. For the avid volunteer, the savings could be worth the effort to track expenses related to your charity work.

Transportation expenses



While you cannot deduct the time you spend on the road driving to and from volunteer events, you may be able to write-off related expenses, such as parking, tolls and gas directly used in your charity work. It's important to note that you cannot claim costs for car repairs, routine maintenance, registration fees, insurance or depreciation.

If your charity work requires you to travel, you may be able to write-off the amount you spent on public transportation, i.e., bus and subway tickets or taxi fare, airfare, meals and accommodations.

Generally for all travel and driving expenses, the primary purpose of the trip must be to perform services for the charitable organization. A deduction may not be allowed if the trip also includes a significant amount of personal, recreation or vacation activities.

If you'd like to include volunteerism as part of your tax

strategy, keep reliable written records of your expenses, including the total amount incurred. With regard to driving expenses, keep track of the reason you drove and the date you used your car for the charitable activity.

Additional out-of-pocket expenses

If you need to make a purchase to perform your volunteer work, you may be able to claim the purchase as a tax deduction. For example, a committee member might deduct the cost of supplies needed to host an auction. Other expenses could be deductible depending on your situation. As a best practice, keep good records and review them with your tax advisor.

As you tabulate your costs, be aware that the amounts must be:

- Unreimbursed. (If the organization has repaid you for an item, you may not claim it on your tax return.);
- Directly connected with the volunteer services;
- Expenses incurred only because of the volunteer services you gave; and
- Unrelated to personal, living or family expenses (For example, childcare is not an eligible expense you can deduct.)

Financial contributions

Generally speaking, cash donations you make to a qualified charitable organization are deductible if you keep proper records and itemize deductions. Property you donate may be written off as well based on the fair market value of the asset at the time of the donation. Note: Special rules may apply to certain contributions.

If you receive something of value from a charity, such as a benefit dinner or an auction item, you need to subtract the value of the item from the total donation to determine the deductible amount.

As you prepare for tax season, there are a few important things to keep in mind. For you to write-off volunteer expenses or donations to charity, you must itemize deductions on your tax return and keep reliable written records of anything you intend to claim. Also note that you cannot claim a deduction on your tax return for the value of donated time or services. If you're considering deducting volunteer-related expenses or donations on your tax return, meet with a tax advisor to get his or her perspective on your financial situation. You may also refer to IRS publication 526 for guidance on charitable deductions.

Rick Gross is a financial advisor and private wealth advisor with Ameriprise Financial Services Inc. in South Lake Tahoe.