

Composition of Tax-Deductible Charitable Contributions

By Joseph Rosenberg

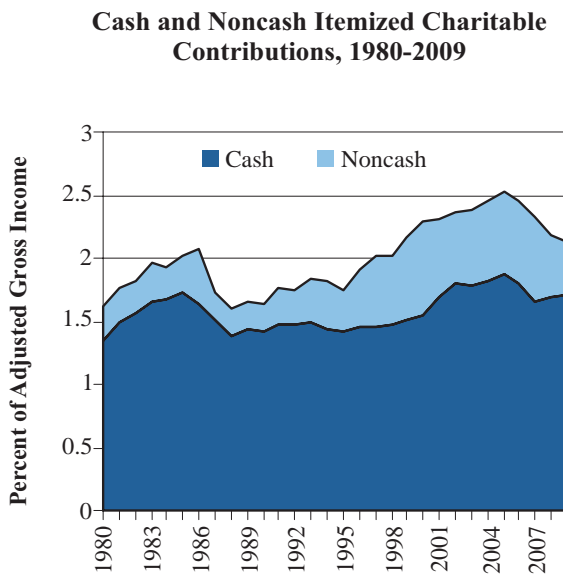
Taxpayers who elect to itemize can claim a deduction against federal income tax liability for contributions made to registered charitable organizations. In 2008, roughly 40 million taxpayers reported more than \$170 billion in donations on individual tax returns. While cash gifts still account for the vast majority of charitable donations reported on tax returns, gifts of noncash property have grown as a share of total contributions, reaching nearly 30 percent in 2007 before falling sharply due to the recession.

In general, the tax benefit of making a charitable gift is equal to the taxpayer's marginal tax rate. For example, a taxpayer in the 35 percent tax bracket that itemizes will save 35 cents in tax for each dollar contributed. There is an additional tax benefit asso-

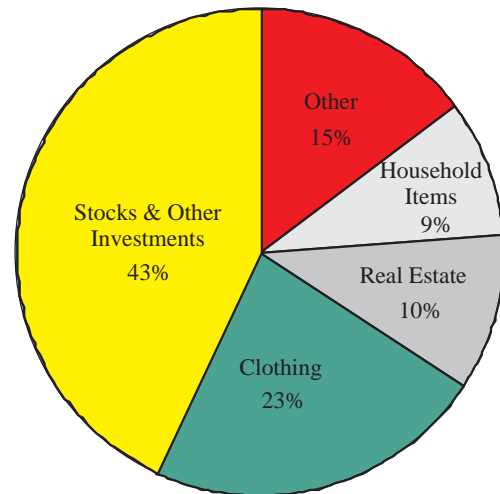
ciated with gifts of appreciated property, since taxpayers can deduct the full market value without realizing any associated capital gain.

The composition of noncash gifts can be compiled from Forms 8283, which taxpayers are required to file if they donate more than \$500 in noncash property. For tax year 2008, the most recent year these data are available, \$34.6 billion of deductible contributions were reported. Gifts of corporate stock, mutual funds, and other investments accounted for the largest share of noncash donations at 43 percent of the total. The next largest categories were clothing (23 percent), real estate (10 percent), and household items (9 percent). Five other categories made up the remaining amount.

High-income households reported the majority of noncash donations. Taxpayers with adjusted gross income exceeding \$200,000 accounted for 56 percent of all noncash donations and 93 percent of gifts of corporate stock and other investments.



Noncash Charitable Contributions, Reported on Form 8283, by Type, 2008



Sources: IRS, Statistics of Income division, "Individual Complete Report" (various years); Pearson Liddell and Janette Wilson, "Individual Noncash Contributions, 2008," (2011), *SOI Bulletin*, Winter 2011.



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