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## Noncash Donations

Many taxpayers have clothing and household goods that they give to charities each year. The tax deduction for these donations is “fair market value”. That sounds simple enough, but what exactly is “fair market value”?

First of all, this is what the IRS says:

Fair market value (FMV) is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts. If you put a restriction on the use of property the FMV must reflect that restriction.

**Example 1.** If you give used clothing to Salvation Army, the FMV would be the price that typical buyers actually pay for clothing of this age, condition, style, and use. Usually, such items are worth far less than what you paid for them.

Please see Publication 561 (<http://www.irs.gov/pub/irs-pdf/p561.pdf>) for more information.

Goodwill has an online calculator that you can use to value your donation. You simply enter in how many items you gave of each kind, and it will calculate the “value” based on what they know are typical selling prices. You can find that here -

<http://www.goodwillwm.org/donate/donation-calculator>

Other comments –

- a. Clothing deductions after August 17, 2006 are only allowed if the clothing is in “good” condition. Obviously this may be practically impossible to verify after the fact (either that is or isn’t), but if you’re audited the only way you can prove it is would be to have pictures of the clothing.
- b. If you claim a non-cash donation of \$5,000 or more an appraisal must be done and a “qualified” appraiser must sign the form that’s included in your tax return. This is covered on page 9 of the IRS publication 561 mentioned earlier.
- c. You must have a receipt from the charity to whom you gave the goods.
- d. If you claim a value of \$500 or more, you must also tell us the original cost of the goods you gave. We will not guess for you; if you think the goods were worth more than \$500 we have to have a complete description of the goods and their original cost.

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