

Charitable extenders and incentives in the 2008 Extenders Act

The Tax Extenders and Alternative Minimum Tax Relief Act of 2008, which was enacted on Oct. 3, 2008, extends several expired charitable giving tax breaks and provides several new tax incentives for charitable giving. Here is a brief overview of the charitable provisions in the new legislation.

Charitable giving provisions extended for two years.

Several popular charitable incentives expired at the end of 2007 and would not have been available to taxpayers on their 2008 tax returns if Congress had not acted. The new law restores the provisions and extends them for two years (through 2009). The extended provisions include:

- *IRA charitable rollover.* This provision allows individuals aged 70 1/2 and older to donate up to \$100,000 from their individual retirement accounts (IRAs) and Roth IRAs to public charities without having to count the distributions as taxable income. This giving incentive is particularly beneficial to those individuals who do not itemize their tax deductions and would not otherwise receive any tax benefit for their charitable contributions.
- *Enhanced charitable deduction for food inventory.* This provision allows businesses to claim an enhanced deduction for the contribution of food inventory. The new law also eliminates the percentage limitation for contributions made by certain farmers and ranchers after Dec. 31, 2007, but before Jan. 1, 2009.
- *Enhanced charitable deduction for contributions of book inventory to schools.* This provision allows C corporations an enhanced charitable deduction for donations of books to schools, public libraries and literacy programs.
- *Enhanced charitable deduction for qualified computer contributions.* This provision encourages businesses to contribute computer equipment and software to elementary, secondary, and post-secondary schools by allowing an enhanced deduction for such contributions.
- *Basis adjustment to stock of S corporations making charitable contributions of property.* Under this provision, if an S corporation makes a contribution to a charity the amount of a shareholder's basis reduction in the S corporation stock will be equal to the shareholder's pro rata share of the adjusted basis of the contributed property (rather than the pro rata share of the fair market value of the contribution, as was the case under prior law).

New tax incentives for charitable giving.

New incentives for charitable giving contained in the new legislation include:

- *Temporary suspension of limitations on charitable contributions.* The amount allowed as a charitable deduction in any year may not exceed ten percent of the corporation's taxable income or fifty percent of an individual's adjusted gross income. The new law temporarily waives these limits regarding charitable cash contributions dedicated to Midwestern disaster relief efforts. The provision is effective for contributions paid during the period beginning on the earliest applicable disaster date for all States and ending on Dec. 31, 2008.
- *Increase in standard mileage rate for charitable use of vehicles.* The mileage rate individuals may use to compute a tax deduction for personal vehicle expenses associated with charitable work is statutory and has not been increased since 1997 and is currently at 14 cents per mile. For a taxpayer assisting in relief efforts related to the Midwestern

disaster, the new law sets the charitable mileage rate at seventy percent of the current standard business mileage rate, beginning on the applicable disaster date and ending on Dec. 31, 2008.

- *Exclusion from income of mileage reimbursements for charitable volunteers.* In general, reimbursements received for operating expenses of a personal vehicle used in connection with charitable work in excess of the statutory charitable mileage rate are taxable income to the recipient. However, reimbursements for charitable mileage attributable to the Midwestern disaster up to the amount of the standard business mileage rate will not be considered taxable income through Dec. 31, 2008.