

4H Leaders: Keep Your Own Records – for Use at Tax Time!

Record-keeping is one of the foundational skills we teach in 4-H. Like any other skill, the teachers can teach it best if they also practice it themselves. There are many ways (enrollments and calendars, just to name a couple) in which you keep records for the good of the 4-H club or program. There are also ways in which you should keep records for your own benefit. Records of your contributions to your 4-H club or to the 4-H program as a whole can reduce your income tax bill, saving you money. Reducing your tax bill isn't a selfish step; instead, it gives you more money available for the good things you want to do!

Your contributions to a 4-H club, the county 4-H program, or the 4-H foundation, whether made in cash or in goods contributed, are tax deductible if you itemize deductions on Schedule A of Form 1040. In addition, some expenses you incur in your 4-H work are also deductible.

Cash Contributions

Cash contributions you make to a state or county 4-H foundation are deductible. Direct contributions to a 4-H club are also deductible, because 4-H clubs are designated by the IRS as qualified organizations.

Records and Receipts. For all cash contributions, records and receipts are needed in case you are asked to prove the contribution. Beginning in tax year 2007, receipts and/or cancelled checks are required to prove the contribution – a written record of cash contributions will no longer be sufficient. For any contribution over \$250, the organization must provide you with a written acknowledgement of the contribution which makes it clear whether you received (or did not receive) any tangible benefit in return for the contribution.

Raffles, auctions, fund-raisers. When you receive something tangible in exchange for a contribution, the contribution is not deductible except to the extent it exceeds the actual fair market value of the goods or services received. Therefore, most purchases of goods through fund-raisers (candy bars, spaghetti dinners, etc.) are not deductible. At a charity auction, a portion of the price may be deductible; for example if an item's fair market value is \$25, but you paid \$40 for it, you would be able to deduct \$15 as a charitable contribution. Purchases of raffle tickets are not tax deductible, even if the raffle is to benefit a non-profit organization. Likewise, the cost of playing bingo or other games of chance is also *not* deductible.

Contributions of Goods

When you purchase items needed by the 4-H club, you are typically reimbursed by the club, and this has no effect on your taxes. If, however, you purchase items needed by the club and do not receive reimbursement, you may include that as a tax deduction. If possible, keep the sales receipt for the items you donated. If that is not possible, ask the club secretary, treasurer, or another leader to write a receipt acknowledging the contribution and its value (have them sign and date the receipt). Note that purchasing supplies to be used by your child to make a project which they will keep and use is *not* tax deductible.

Examples:

- Supplies for your club's educational or community service activity
- Snacks purchased for the club
- Trophies or prizes purchased for competition winners (*Note:* in some cases this may actually be a cash contribution, in which you give the money to the organization and they purchase the trophy.)

If you make a contribution that is worth more than \$250 but not more than \$500, you must get and keep an acknowledgement of your contribution from the 4-H club or program. If you made more than one contribution of \$250 or more, you must have either a separate acknowledgement for each or one acknowledgement that shows your total contributions. For information about deductions for non-cash contributions exceeding \$500, see IRS Publication 561.

IOWA STATE UNIVERSITY
University Extension

B. Wollan 3/06; rev 1/07

. . . and justice for all

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Deducting Your Expenses

As a 4-H volunteer, your biggest contributions are your energy, skills, and time. *There are no tax deductions for the value of your time or of any services you provide*, but there is a deduction for expenses you incur in providing those services. To be deductible, the expenses must meet all four of the following criteria. They must be:

- a) Unreimbursed
- b) Directly connected with the services
- c) Expenses you incurred only because of the services you gave, *and*
- d) Not personal, living, or family expenses

Mileage. The most common volunteer expense deduction is for mileage. When you travel in order to carry out your duties as a 4-H leader, you can deduct the actual cost of gas and oil; if you do not keep track of actual expenses, you can deduct 14 cents per mile driven (2006-2007 figure).

Keep accurate records of the purpose, date and time of each trip. Examples of deductible trips:

- Travel from your home to the Extension office to drop off 4-H enrollments
- Travel from home to the Fairgrounds to supervise 4-Hers setting up the club's booth
- Travel to a club outing (park, museum, etc.)

Because the expenses must be incurred *only* for the services you gave (item c above), not every trip to the Extension Office may be deductible. For example, if you went into town for groceries, and also stopped at the Extension Office to pick up a form, that trip was not made *only* for volunteer purposes, and would not be deductible.

State Bonus. Individuals who itemize deductions can claim an additional deduction for charitable miles on Line 40 of their Iowa 1040 form. The additional deduction is equal to 34 cents per mile *minus* the charitable mileage deduction claimed on Schedule A. See the instructions for Line 40 and

Does it sound like more trouble than it is worth? Think again. If you put a system in place that makes it easy to keep track of your expenses and contributions, you will find that it soon becomes routine to make notes that will pay off at tax time. *Example:* a 4-H leader lives 10 miles from the Extension Office and Fairgrounds, and makes 20 trips during the year for club meetings, leader meetings, fair events, etc. At 14 cents a mile, those 400 miles are a \$56 tax deduction. Add to that some supplies or snacks purchased for club activities (\$25) and a \$50 contribution to the 4-H foundation, and we have tax deductions of \$131. For a moderate income family in the 15% federal tax bracket and 7% state bracket, those deductions reduce the tax bill by \$28. Throughout the year, this leader may have spent an hour (at most two hours) keeping the records for those tax deductions. A payoff of \$14 - \$28 per hour is nothing to sneeze at! And the \$28 gained is money the leader can put to use – for the benefit of his or her family, or the 4-H club, or some other worthwhile purpose!

note special instructions for married couples filing separately.

Exclude family expenses. Expenses you incur specifically for the benefit of your own family members are not tax deductible. Two examples to illustrate: If you drive extra miles on your way to a 4-H event in order to pick up your own child who had spent the night with a friend, the extra miles would not be deductible. However, if you drive out of your way to give a ride to some 4-Hers who could not otherwise participate in the event, those miles would be deductible.

Other Travel Expenses.

Parking fees and tolls related to a volunteer trip are deductible. Meal expenses that are necessary to your volunteer role for 4-H are deductible only if you are away from home overnight. Necessary hotel costs are deductible, as are costs for air, rail, bus, or taxi transportation. If, however, you did not have an important role in the trip or activity (perhaps you simply went along so that you could share the activity with the 4-Hers), then your expenses are not deductible.

As a general rule, you can claim a charitable contribution deduction for travel expenses necessary in your role as volunteer for a charitable organization *only if there is no significant element of personal pleasure, recreation, or vacation in the travel*. Examples: If you traveled to a lake recreation area and stayed a week, helping at a 4-H camp every morning but spending the rest of the day on your own activities, your trip would not be deductible. By contrast, if you helped with the camp full-time and your presence was necessary to its success, and you *enjoyed* the work you did with the 4-Hers, your expenses would be deductible. [Key point: The simple fact of enjoying your 4-H work does not prevent the expenses from being deductible!]

