INTEROFFICE MEMO

Date: July 6, 2005

TO: County Extension Education Directors

FROM: Linda A. Wilson, Grants Manager

RE: Tax Deductible Contributions to Extension Districts

Attached are five pages related to the tax deductibility of a contribution to a County Agricultural Extension District.

1. Page one is a copy of the Iowa Code. Section 176A.3 establishes that “County Agricultural Extension Districts” are a governmental subdivision of this state and a public body corporate.

2. Page 293 of the U.S. Master Tax Guide indicates that contribution to the United States, a state, a local government, ... are deductible if exclusively for “public purposes.”

3. Page A-3 (which I believe is taken from the directions for completing a U.S. 1040 form) again says that contributions are deductible for federal, state, and local governments if the gifts are solely for public purposes.


5. Page 294 from the U.S. Master Tax Guide indicates that the organization has responsibilities as of January 1, 1994, for written acknowledgement of charitable contributions it receives of over $250. You may choose to acknowledge all gifts with a written memo on county extension letterhead.
County Extension Law
Code of Iowa
Chapter 176.A
County Agricultural Extension Law

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176A.1 Short title
This chapter may be known and cited as the "County Agricultural Extension Law".

[C58, 62, 66, 71, 73, 75, 77, 79, 81, § 176A.1]

176A.2 Declaration of policy.
It is the policy of the legislature to provide for aid in disseminating among the people of Iowa useful and practical information on subjects relating to agriculture, home economics, and community and economic development, and to encourage the application of the information in the counties of the state through extension work to be carried on in cooperation with Iowa state university of science and technology and the United States department of agriculture as provided in the Act of Congress May 8, 1914, as amended by Public Law 83 of the Eighty-third Congress.

[C58, 62, 66, 71, 73, 75, 77, 79, 81, § 176A.2]
86 Acts, ch 1245, § 838

176A.3 Definition of terms.
Whenever used or referred to in this chapter unless a different meaning clearly appears from the context (1) "county agricultural extension district" hereinafter referred to as "extension district" means a governmental subdivision of this state, and a public body corporate organized in accordance with the provisions of this chapter for the purposes, with the powers, and subject to the restrictions hereinafter set forth; (2) "county agricultural extension council" hereinafter referred to as "extension council" means the agency created and constituted as provided in section 176A.5; (3) "Iowa state
U.S. Master Tax Guide

NONBUSINESS CHARITABLE CONTRIBUTIONS

 frank contributions that are deductible. A contribution is deductible only

(1) For tax purposes or for the use of a qualified organization.

(2) A corporation, trust, or community chest, fund or foundation, created

or organized in the United States or in any possession or under the law of any

United States, the District of Columbia, the District of Columbia, or any possession

of the United States, or for transportation purposes, or charitable, art, athletic

sports competition, or for the betterment of the arts or sciences.

(3) A cemetery company owned and operated exclusively for the benefit of

its members or any individual or corporation chartered solely for burial purposes as

a private corporation and not operated for profit or for the benefit of any

individual or corporation.

(4) A post or organization of war veterans or its auxiliary society or unit,

or the benefit of any private shareholders or individuals.

(5) For individuals only, a Religious, charitable, scientific, literary, or educational

organization operating under the laws of the United States, or its possession,

or the benefit of any private shareholders or individuals.

The value of service rendered to a charitable institution is not deductible as a

contribution. But the value of a blood donation, which is in the nature of service

rendered, is not deductible. No deduction is allowed for an out-of-pocket expenditure

made by an individual or corporation in order to incorporate an organization.

A charitable contribution is also denied for contributions made to individuals who

have no connection with the charitable organization. These are the so-called

"tipper" contributions. If the donor has directly paid the expenses of the

organization, the contribution is not deductible.

Deductions are allowed for travel expenses, including meals and lodging,

incurred in the performance of charitable or religious activities away from home

on missions, recreation, or vacation. However, if the expenses are paid directly by

the organization, the deduction is denied.

The rule does not apply to the extent that an individual pays for travel for

charitable activities, and the deduction is denied for the use of an automobile

involving a contribution to a fund that pays for all travel expenses. The individual

may deduct the expenses of travel for charitable activities, but the deduction is

limited to the lesser of the actual expenses or the standard mileage rate. The

standard mileage rate is based on the actual expenses incurred. However, the

standard mileage rate method is not available for all expenses. The deduction

is denied for part of the contribution (Code Sec. 170D). The deduction for

passenger automobiles in volunteer work for qualified charities has been

Footnote references are to paragraphs of the 1992 Standard Federal Tax Reports.

I. 170D 11,649 11,675 11,712 11,689
Line 11
If you did not receive a Form 1098 from the recipient, report a deductible mortgage interest on line 11.
If you bought your home from the recipient, be sure to show that recipient’s name, identifying no., and address on the dotted lines next to line 11. If the recipient is an individual, the identifying no. is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also list the recipient’s SSN if you do not show the required information about the recipient on line 10, and if the recipient has your SSN, you may have to pay a $50 penalty.
If you and at least one other person (other than your spouse if filing a joint return) were listed for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. Next to line 11, write “See attached.”

Line 12
Points Not Reported on Form 1098
Points are shown on your settlement statement. Points you paid only to borrow money are generally deductible over the life of the loan. For exceptions, see Pub. 505, Points paid for other purposes, such as for a lender’s services, are not deductible.

Refinancing
Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home. If you used part of the proceeds to improve your main home, you may be able to deduct a portion of the points related to the improvement in the year paid. See Pub. 536 for details.

If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.

Line 13
Investment Interest
Investment interest is interest paid on money you borrowed that is allocable to the investment. It does not include any interest allocable to passive activities or to securities that generate passive income. Complete and attach Form 4682 to figure your deduction.

Exception. You do not have to report 482 if all four of the following apply:
1. Your only investment interest is from interest or dividends.
2. You have no other deductible expenses connected with the production of the interest or dividends.
3. Your investment interest expense is not more than your investment income.
4. You have no disallowed investment interest expense from 1996.

Note: Alaska Permanent Fund dividends, including those reported on Form 1041, flow through to Form 1040.

Gifts to Charity
You may deduct contributions or gifts you made to organizations that are tax-exempt, charitable, educational, religious, literary, or scientific. The organization must be a qualified charity, such as a religious organization. If you made contributions or gifts to a qualified charity during the year, you must file Form 1040, Schedule A, page 2.

TIP
If you are not sure whether a gift is deductible, consult a tax professional.

TIP
The IRS provides a list of qualified charities on their website. You can check the organization’s name, location, and purpose to determine if it qualifies for a tax deduction.

TIP
If you are not sure whether a gift is deductible, consult a tax professional.

Contributions You May Deduct
Contributions may be in cash (keep canceled checks, receipts, or other written records showing the name of the organization and the date and amount of the contribution), property, or of service. Contributions include donations to religious organizations and charitable organizations. If you made contributions in cash and property, you must keep records showing the value and the date and amount of the contribution.

Complete and attach Form 4682 to figure your deduction.
Appreciation (less incurred by an individual) in determining the fair market value of donated property is not to be treated as part of the charitable contribution but may be claimed as a miscellaneous deduction on Schedule A of Form 1040.44

Except for the carryover rule at § 1050, a contribution is generally deductible only in the year of payment. However, contributions charged to a bank credit card are deductible in the year charged even though paid in a later year.45

Gifts of Appreciated Property. The amount deductible for a charitable contribution of appreciated property depends on whether the property is:

1. Capital Gain Property. Capital gain property includes any asset on which a long-term capital gain would have been realized if the property had been sold for its fair market value on the date of contribution. As a general rule, gifts of capital gain property are deductible at their fair market value on the date of contribution. However, the individual's contribution must be reduced by the potential long-term gain (appreciation) in:

   (1) the property is contributed to certain private nonoperating (grant-making) foundations (see, however, Qualified Appreciated Stock, below);
   (2) the taxpayer elects to disregard the special 20% capital gains limitation in favor of the 30% limitation;46
   (3) Qualified Appreciated Stock. A deduction equal to the fair market value of qualified, appreciated stock contributed to private nonoperating foundations is allowed for contributions made during the period July 1, 1983, through June 30, 1985. Qualified appreciated stock is publicly traded stock that is capital gain property (Code Sec. 170(h)(2)(D)).
   (4) Compensation Property. The amount of a deduction for a gift of property on which the gain that would result if it were sold at fair market value would be treated as ordinary income and part of capital gain is specially computed (Code Sec. 170(h)(2)(D)). First, the fair market value is reduced by the ordinary income that would have resulted from a sale at fair market value. Then, the remainder of the fair market value is treated as capital gain property, subject to the above rules. The types of property to which this special computation would apply include those subject to depreciation recapture (§ 179), to depletion of depreciable property (§ 2031), as well as interests in oil, gas, or geothermal property (§ 222).

1993. Use of Property—Partial Interests. Generally, a taxpayer is denied a charitable deduction for partial interests in property, such as a one-half interest. However, if the partial interest is in property used in a trade or business or held for investment and the tax law requires that a deduction be allowed, the interest has been transferred in trust (Code Sec. 170(h)(2)(D). Reg. § 1.170A-7(f), Sec. § 302 and § 1070).

Framed references are to paragraphs of the 1989 Standard Federal Tax Reports.
increased to 14 cents per mile. The 14 cents per mile will not be indexed for inflation (Code Sec. 170).)

The payment of money for a ticket to a charity event—e.g., a ball, banquet, show, or athletic event—creates a presumption that the payment represents the chase price for an item of value. The burden is on the taxpayer to show that the ticket price is not paid, or if the payment exceeds the fair market value, the admission ticket is not deductible.41

Example. An individual pays $12 to see a special showing of a motion picture, the net proceeds of which go to a qualified charitable organization. Printed on the ticket is "Contribution—$12." If the regular price of the ticket is $5, the individual made a contribution of $7 to a qualified charitable organization.

Fund raising organizations that provide token benefits to contributors may advise those contributors that their donations are fully deductible only if the benefits have an insubstantial value. In the case of potential donors who receive only if the item is low cost, provided for free, and not distributed at the donor’s request or consent.42 Disclosure by a charitable organization of cash per quag 1, 1994 (Code Sec. 611D).43 See § 605.

Eighty percent of an otherwise deductible university for the right to purchase tickets to an athletic event is treated as a charitable contribution regardless of whether the tickets would have been available even if the payment had not been made (Code Sec. 170).44

Transfers of property to a charitable organization directly related to the donor’s business and made with a reasonable expectation of a financial return are included with the value of the transfer will not qualify for a charitable deduction, but may quality as a trade or business expense (Reg. § 1.170A-1(c)(5)).45

For cash contributions, the taxpayer need only enter the total amount contributed on Form 1040, Schedule A, but written records are required to substantiate the deduction. For noncash contributions over $500 (over $5,000 in the case of C corporations other than closely held or personal service corporations) the donor must complete Section A, Form 8283, giving details of the donation, and attach it to the taxpayer’s return. If the noncash contribution exceeds $5,000, the taxpayer must obtain an appraisal for the contribution, complete Section B, Form 8283, giving details of the donation, and attach Section B to the taxpayer’s tax return (Reg. § 1.170A-1(c)(5)).46

Charitable contributions of $250 or more, made on or after January 1, 1994, must be substantiated by a contemporaneous written acknowledgement from the donee organization. However, substantiation is not required if the donee organization files a return with the IRS reporting the information that is required in the written acknowledgement. Generally, the acknowledgement must include the amount of cash and a description of non-cash contributions, together with a description and good-faith estimate of the value of any goods or services (other than goods or services with insubstantial value) received for the contributions (Code Sec. 170(f)(8)).47 Contributions made by payroll deduction may be substantiated by a payee’s written document, such as a pay stub or Form W-2, showing the amount deducted and a donee-prepared document stating that the donee does not provide goods or services at wholesale or in partial consideration for contributions made by payroll deduction. Substantiation is required only if $250 or more is deducted from a single paycheck (Reg. § 1.170A-13T(b)).48