

Charitable Giving: What to Do Before You Donate

Presented by Potomac Financial Private Client Group, LLC

Making a charitable gift can be a fulfilling experience, but before you donate, it's wise to do a little research. Taking the time to learn about a charity can help you determine whether the nonprofit organization is legitimate and whether its charitable purposes match your intentions. Use the five-step checklist below to guide you through the process.

- 1. Ask the charity for information.** Request information from the charity about its mission and goals. Find out how your donation will be used, determine what percentage goes toward charitable purposes (versus operational costs), and request proof that your contribution is tax deductible. If the organization uses paid solicitors, it is required to identify those solicitors and to disclose the percentage of your donation that will be used for their compensation.
- 2. Use your state's resources.** Most states require nonprofits that solicit charitable donations to register with the state attorney general. The attorney general's office is also responsible for investigating fraudulent practices of charitable organizations and other entities posing as legitimate charitable organizations. Visit the website of the National Association of Attorneys General (www.naag.org) for a list of the state attorneys general and their contact information.

Charities that have established themselves in nonprofit corporate form are also required to maintain a registration file with the state secretary of state. The file should include the charity's official name and contact information, the names of executive officers and other management personnel, and the organization's purpose.

- 3. Double-check the charity's name.** When naming a charity as a beneficiary, always double-check the organization's name to eliminate any ambiguity. Using the wrong name or a nickname could cause confusion regarding the proper recipient. Keep in mind that illegitimate organizations often use names that sound similar to those of legitimate charities in order to take advantage of unsuspecting donors. GuideStar (www.guidestar.org) is a helpful resource for finding information on charities.
- 4. Verify the organization's status.** Ask to see the charity's IRS letter recognizing its tax-exempt status and eligibility to receive tax-deductible donations. Or, refer to the IRS's list of charities in good standing at www.irs.gov/Charities-&-Non-Profits/Search-for-Charities. You can also call the IRS toll-free at 877.829.5500. Be sure to obtain the charity's tax ID for future reference.
- 5. Keep complete records.** For donations less than \$250, a canceled check or credit card statement is generally sufficient for IRS purposes. For larger donations, obtain a properly worded receipt from the charity documenting your donation. Also keep in mind that your tax deduction is reduced by the fair market value of any gift, meal, or other incentive you receive from the charity. As a general rule, do not send cash.

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