



Individual Income Tax: Deductions Part 2

Course #31057B

Taxes

2 Credit Hours

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INDIVIDUAL INCOME TAX: DEDUCTIONS PART 2

This course explains which charitable contributions are deductible and what documentation is required. It also covers how personal casualty and theft losses are treated for tax purposes.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Contributions

Nonbusiness Casualty and Theft Losses

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recall the types of charitable contributions you can deduct and the records you should keep.
- Recall the tax treatment of personal casualty and theft losses.

NOTICE

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

TABLE OF CONTENTS

| | |
|---|-----------|
| Chapter 1: Contributions | 1 |
| I. Introduction | 1 |
| II. Organizations That Qualify to Receive Deductible Contributions | 2 |
| TYPES OF QUALIFIED ORGANIZATIONS | 2 |
| III. Contributions You Can Deduct | 3 |
| CONTRIBUTIONS FROM WHICH YOU BENEFIT | 4 |
| EXPENSES PAID FOR STUDENT LIVING WITH YOU | 7 |
| OUT-OF-POCKET EXPENSES IN GIVING SERVICES | 7 |
| IV. Contributions You Cannot Deduct | 11 |
| CONTRIBUTIONS TO INDIVIDUALS | 11 |
| CONTRIBUTIONS TO NONQUALIFIED ORGANIZATIONS | 11 |
| CONTRIBUTIONS FROM WHICH YOU BENEFIT | 12 |
| Qualified Charitable Distributions | 12 |
| VALUE OF TIME OR SERVICES | 13 |
| PERSONAL EXPENSES | 13 |
| V. Contributions of Property | 13 |
| DETERMINING FAIR MARKET VALUE | 16 |
| GIVING PROPERTY THAT HAS DECREASED IN VALUE | 17 |
| GIVING PROPERTY THAT HAS INCREASED IN VALUE | 17 |
| VI. When to Deduct | 18 |
| VII. Limits on Deductions | 19 |
| CARRYOVERS | 19 |
| VIII. Records to Keep | 19 |
| CASH CONTRIBUTIONS | 19 |
| NONCASH CONTRIBUTIONS | 22 |
| OUT-OF-POCKET EXPENSES | 25 |
| IX. How to Report | 26 |
| Chapter 1: Test Your Knowledge | 27 |
| Chapter 1: Solutions and Suggested Responses | 28 |
| Chapter 2: Nonbusiness Casualty and Theft Losses | 29 |
| I. What's New/Reminders | 29 |

| | |
|---|-----------|
| II. Introduction | 30 |
| III. Casualty | 30 |
| IV. Theft | 33 |
| V. Loss on Deposits | 35 |
| VI. Proof of Loss | 36 |
| VII. Figuring a Loss | 37 |
| Decrease in FMV | 37 |
| Adjusted Basis | 40 |
| Insurance and Other Reimbursements | 40 |
| VIII. Deduction Limits | 44 |
| \$100 Rule | 45 |
| 10% Rule | 46 |
| IX. When to Report Gains and Losses | 48 |
| Disaster Area Losses | 49 |
| X. How to Report Gains and Losses | 50 |
| Chapter 2: Test Your Knowledge | 52 |
| Chapter 2: Solutions and Suggested Responses | 53 |
| Glossary | 54 |
| Index | 69 |
| Final Exam Copy | 70 |

CHAPTER 1: CONTRIBUTIONS

Chapter Objective

After completing this chapter, you should be able to:

- Recall the types of charitable contributions you can deduct and the records you should keep.

I. INTRODUCTION

This chapter explains how to claim a deduction for your charitable contributions. It discusses:

- The types of organizations to which you can make deductible charitable contributions,
- The types of contributions you can deduct,
- How much you can deduct,
- What records to keep, and
- How to report your charitable contributions.

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value.

Schedule A (Form 1040) required. To deduct a charitable contribution, you must itemize deductions on Schedule A (Form 1040). The amount of your deduction may be limited if certain rules and limits explained in this chapter apply to you.

Note: New Rules for 2026



The following rules related to charitable contributions will go into effect for tax year 2026. They do not impact 2025.

- **\$1,000/\$2,000 deduction for non-itemizers.** Taxpayers who take the standard deduction will be able to claim a deduction for cash contributions of up to \$1,000 (individuals) or \$2,000 (married couples filing jointly).
- **0.5% AGI floor for itemizers.** If you itemize, your charitable deduction will be reduced by an amount equal to 0.5% of your AGI. For example, if your AGI is \$1 million, the first \$5,000 of your annual charitable donations will not be deductible.

Note: New Rules for 2026 (continued)



- **35% cap on deductions for top earners.** For taxpayers in the highest tax bracket (37%), the tax benefit of all itemized deductions, including charitable contributions, will be capped at 35%.
- **Changes to ordering of deductions.** AGI limits for charitable deductions will be calculated in a different order, which could affect the amount of your deductible contributions.

II. ORGANIZATIONS THAT QUALIFY TO RECEIVE DEDUCTIBLE CONTRIBUTIONS

You can deduct your contributions only if you make them to a qualified organization. Most organizations, other than churches and governments, must apply to the IRS to become a qualified organization.

TYPES OF QUALIFIED ORGANIZATIONS

Generally, only the following types of organizations can be qualified organizations.

1. A community chest, corporation, trust, fund, or foundation organized or created in or under the laws of the United States, any state, the District of Columbia, or any possession of the United States (including Puerto Rico). It must, however, be organized and operated only for charitable, religious, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Certain organizations that foster national or international amateur sports competition also qualify.
2. War veterans' organizations, including posts, auxiliaries, trusts, or foundations, organized in the United States or any of its possessions (including Puerto Rico).
3. Domestic fraternal societies, orders, and associations operating under the lodge system.
4. Certain nonprofit cemetery companies or corporations.
5. The United States or any state, the District of Columbia, a U.S. possession (including Puerto Rico), a political subdivision of a state or U.S. possession, or an Indian tribal government or any of its subdivisions that perform substantial government functions.

Qualified organizations include:

- Churches, a convention or association of churches, temples, synagogues, mosques, and other religious organizations.
- Most nonprofit charitable organizations such as the American Red Cross and the United Way.

- Most nonprofit educational organizations, including the Boy Scouts of America, Girl Scouts of America, colleges, and museums. This also includes nonprofit daycare centers that provide childcare to the general public if substantially all the childcare is provided to enable parents and guardians to be gainfully employed. However, if your contribution is a substitute for tuition or other enrollment fee, it is not deductible as a charitable contribution, as explained later under *Contributions You Cannot Deduct*.
- Nonprofit hospitals and medical research organizations.
- Utility company emergency energy programs, if the utility company is an agent for a charitable organization that assists individuals with emergency energy needs.
- Nonprofit volunteer fire companies.
- Nonprofit organizations that develop and maintain public parks and recreation facilities.
- Civil defense organizations.

III. CONTRIBUTIONS YOU CAN DEDUCT

Generally, you can deduct your contributions of money or property that you make to, or for the use of, a qualified organization. A contribution is “for the use of” a qualified organization when it is held in a legally enforceable trust for the qualified organization or in a similar legal arrangement. The contributions must be made to a qualified organization and not set aside for use by a specific person.

If you give property to a qualified organization, you generally can deduct the fair market value of the property at the time of the contribution. See *Contributions of Property*, later in this chapter.

Your deduction for charitable contributions generally cannot be more than 60% of your adjusted gross income, but in some cases 20%, 30%, or 50% limits may apply.

Table 25-1 lists some examples of contributions you can deduct and some that you cannot deduct.