**8523. How much of a charitable contribution is deductible?**

An individual who itemizes may take a deduction for certain contributions “to” or “for the use of” charitable organizations. A gift is made “to” a charitable organization if it is a direct gift of property to the charitable organization. An indirect contribution of an interest in property to a charity that does not result in a complete gift of the property itself is considered to be a contribution “for the use of” the charity. For example, a gift of an income interest in property, but not the underlying property itself, to charity is considered to be a gift “for the use of” the charity.[[1]](#footnote-1) The term “for the use of” does not refer to a gift of the right to use property such as office space. Such a gift would generally be a nondeductible gift.

The amount that may be deducted by the taxpayer in any tax year is subject to the income percentage ceilings explained below. The amount of the contribution depends on whether it is a gift of money or property; and, if the latter, the type of property. Also, for any charitable gift, the type of charity is also relevant. These rules are explained in Q 8524 and Q 8525.

Charitable giving is discussed in detail in Q 8858 to Q 8872.

**8523.02 What are the income percentage ceilings that limit the income tax deduction for charitable contributions?**

*50% ceiling*. For a charitable contribution of money, an individual is allowed a charitable deduction of up to 50% of his or her adjusted gross income if made to the following types of organizations: churches, schools, hospitals or medical research organizations, organizations that normally receive a substantial part of their support from federal, state, or local governments or from the general public and that aid any of the above organizations, and federal, state, and local governments. Also included in this list is a limited category of private foundations (private operating foundations and conduit foundations[[2]](#footnote-2)) that generally direct their support to public charities.[[3]](#footnote-3) The above organizations are often referred to as “public charities” or “50-percent-type charitable organizations.”

Thus, a monetary contribution to a public charity is limited to 50% of adjusted gross income. The excess amount is carried over for a period of 5 years subject to the same limitations. Any amount of a charitable contribution not deducted within that time period is lost.[[4]](#endnote-1)

*Example*: In 2014, Asher made a monetary charitable contribution of $30,000 to a public charity. Asher’s adjusted gross income is $50,000. Due to the 50% ceiling, Asher’s contribution is limited to $25,000 (50% of $50,000). The remaining $5,000 is carried over to the next year subject to the same limitations for up to 5 years.

*30% ceiling*. For a charitable contribution of money to a private foundation, the amount of the contribution is limited to 30% of the taxpayer’s adjusted gross income. See Q 8525 for the definition of a private foundation.

**8523.03 What are the rules to determine the income percentage ceilings for monetary charitable contributions to public charities and private foundations in the same tax year?**

The combined monetary contributions to public charities and private foundations can never be more than 50% of adjusted gross income. Within the 50% ceiling the deductible charitable contribution to a private foundation cannot be more than 30%. The application of this rule by the following example:

*Example*: In 2014, Asher contributes $70,000 to a public charity and $50,000 to a private foundation. His adjusted gross income is $180,000.

Step 1 – Compute the limitation the charitable deduction to the public charity.

If the charitable contribution to the public charity was equal or greater than 50% of adjusted gross income, this would be the end of the computation as the amount of the charitable contribution to the public charity in excess of 50% of adjusted gross income plus the full amount of the charitable contribution to the private foundation would not be deductible. Instead, those amounts would be carried forward into subsequent tax years.

In this case, Asher’s $70,000 charitable contribution to the public charity is less than $90,000, or 50% of his $180,000 of adjusted gross income. Thus, the entire $70,000 charitable contribution is deductible.

Step 2 – Compute the charitable contribution deduction to the private foundation.

Since the maximum amount deductible is 50% of adjusted gross income, after the Step 1 public charity deduction of $70,000 there remains only $20,000 of potentially deductible charitable contributions to the private foundation. So in computing how much of Asher’s $50,000 contribution to a private foundation is deductible, it can be no greater than the lesser of $20,000 or 30% of his adjusted gross income of $54,000. Since $20,000 is the lesser amount, $20,000 of Asher’s $50,000 private foundation charitable contribution is deductible. The remaining $30,000 is not currently deductible and must be carried over into the next tax year subject to the same rules for up to 5 subsequent tax years.[[5]](#endnote-2)

1. . See Treas. Reg. §1.170A-8(a)(2). [↑](#footnote-ref-1)
2. . See IRC Sec. 170(b)(1)(E). [↑](#footnote-ref-2)
3. . IRC Sec. 170(b)(1)(A). [↑](#footnote-ref-3)
4. IRC Sec. 170(d). [↑](#endnote-ref-1)
5. IRC Sec. 170(b)(1)(B)(i). [↑](#endnote-ref-2)