

**IOWA STATE UNIVERSITY**  
University Extension

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**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.
4. Page 295 of the U.S. Master Tax Guide gives some particulars on gifts of appreciated property. An attorney may be needed to help interpret this.
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.

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Iowa State University and U.S. Department of Agriculture Cooperating.

Extension programs are available to all without regard to race, color, national origin, religion, sex, or disability.

## County Extension Law

### Code of Iowa Chapter 176.A

#### County Agricultural Extension Law

- 176A.1 Short title.
- 176A.2 Declaration of policy.
- 176A.3 Definition of terms.
- 176A.4 Establishment--body corporate--county agricultural extension districts.
- 176A.5 County agricultural extension council.
- 176A.6 Elections.
- 176A.7 Terms--meetings.
- 176A.8 Powers and duties of county agricultural extension council.
- 176A.9 Limitation on powers and activities of extension council.
- 176A.10 County agricultural extension education tax.
- 176A.11 Annual levy by board of supervisors.
- 176A.12 County agricultural extension fund.
- 176A.13 Co-operation extension council--extension service.
- 176A.14 Extension council officers--duties.
- 176A.15 Consolidation of extension districts.
- 176A.16 General election law applicable.

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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]

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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

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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*

carryback (Code Sec. 170(b)(1)(F)),<sup>124</sup> the percentage limitation depends on 170A-8(a)).<sup>125</sup> Individuals also have a option allowed for gifts of appreciated property before applying the percentage ).<sup>126</sup>

ons. Contributions to (but not for the npt organizations qualify for the maxi- bation base (see § 1058) for the taxable ns of churches; (2) educational institu- zations (not including a home health nes for children or aged, or vocational uals); (4) endowment foundations in (5) a government unit, state, federal or y public purposes; (6) an organization port from the public or a government- (8) a private nonoperating foundation to public charities and private operat- ying distributions) within 2 1/2 months normally receiving (a) more than 1/3 of ublic and other organizations (1)-(7), ons, or membership fees, and gross related trade or business (less certain upport from gross investment income axes); and (10) private foundations d and allow a substantial contributor the pool being distributed within 2 1/2 ized and corpus attributable to any rity not later than one year after the if she has the right to designate the ); Reg. § 1.170A-9).<sup>128</sup>

in capital gain property contributed nizations listed above (Code Sec.

ns of ordinary income property to such as war veterans' and fraternal the use of 50%-organization-donees b- tion base or (2) the excess of 50% of year over the amount of charitable ceiling, including carryovers (Code ) property to these organizations ar- b)(1)(D)).<sup>131</sup>

. Individuals who make contribu- s of the deductible ceiling for the tax or a period of five years (Code Sec- excess that may be deducted in any he remaining portion of any excess- unt equal to 50% (or 30% for capital- income after first deducting the sum- s or 30% limitation applies) paid in s that have precedence in order of

128 Standard Federal Tax Reports.  
115 § 11,675  
11,638 § 11,675  
§ 11,675, 11,689

1061. Contributions That Are Deductible. A contribution is deductible only if made to, or for the use of, a qualified organization.

- (1) The United States, a state, a local government, the District of Columbia, or a U.S. possession for exclusively public purposes.
- (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 the United States, any state, the District of Columbia; or any possession of the United States, organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual (e.g., nonprofit hospitals and churches and synagogues). Also, the organization must not be disqualified for tax exemption under Code Sec. 501(c)(3) by attempting to influence legislation.
- (3) A cemetery company owned and operated exclusively for the benefit of its members or any corporation chartered solely for burial purposes as a private shareholder or individual;
- (4) A post or organization of war veterans, or its auxiliary society or unit, organized in the United States or its possessions, if no part of the net earnings inures to the benefit of any private shareholder or individual;
- (5) For individuals only, a domestic fraternal society, order, or association, operating under the lodge system, but only if such contributions are to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals (Code Sec. 170(c)).<sup>133</sup>

The value of service rendered to a charitable institution is not deductible as a contribution,<sup>134</sup> nor is the value of a blood donation, which is in the nature of service rendered.<sup>135</sup> But an out-of-pocket, unreimbursed expense, such as for uniforms, telephone or equipment, incurred in rendering such service, is deductible as a contribution.<sup>136</sup> No deduction is allowed for an out-of-pocket expenditure made by any person on behalf of a charitable organization other than an organization described in Code Sec. 501(h)(5) (churches, etc.) if the expenditure is made for the purpose of influencing legislation (Code Sec. 170(f)(5)). A charitable or business deduction is also denied for contributions made to organizations that conduct lobbying activities relating to matters of direct financial interest to the donor, unless the donor could have claimed a business expense deduction if the donor had directly conducted the lobbying activities (Code Sec. 170(f)(9)).<sup>137</sup> See § 974.

Deductions are allowed for transportation or other travel expenses (including meals and lodging) incurred in the performance of services away from home on behalf of a charitable organization if there is no significant element of personal pleasure, recreation, or vacation. If there is such an element, deductions will be denied even though the expenses are paid directly by the individual, indirectly through a contribution to the organization, or by reimbursement by the organization. This rule does not apply to the extent that an individual pays for travel for third parties who are participants in the charitable activity. However, deductions will be disallowed where two unrelated taxpayers pay each other's travel expenses or members of a group contribute to a fund that pays for all travel expenses (Code Sec. 170(j)).<sup>138</sup> Individuals who qualify for a deduction for the use of an automobile may use the statutory standard mileage rate of 12 cents per mile in lieu of a deduction based on the actual expenses incurred. Under the standard mileage rate method, additional deductions may be taken for parking fees and tolls. Depreciation and insurance are not deductible as part of the contribution (Code Sec. 170(i)).<sup>139</sup> For tax years beginning after December 31, 1997, the deduction for individuals who use their passenger automobiles in volunteer work for qualified charities has been

Footnote references are to paragraphs of the 1998 Standard Federal Tax Reports.  
130 § 11,675  
131 § 11,675  
132 § 11,675  
133 § 11,675, 11,675.0214  
134 § 11,675  
135 § 11,675  
136 § 11,675  
137 § 11,675



explaining the difference and write "See attached" next to line 10.

**Note:** If you are claiming the mortgage interest credit (see the Instructions for Form 1040, line 44), subtract the amount shown on line 3 of Form 8396 from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

#### Line 11

If you did not receive a Form 1098 from the recipient, report your 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 let the recipient know your SSN. If you do not show the required information about the recipient and let the recipient know 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 liable 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. 938. 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 the part of the points related to the improvement in the year paid. See Pub. 938 for details.

**TIP** 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 property held for investment. It does not include any interest allocable to passive activities or to securities that generate tax-exempt income.

Complete and attach Form 4952 to figure your deduction.

**Exception.** You do not have to file Form 4952 if all four of the following apply.

1. Your only investment income was 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 8874, are not investment income.

For more details, see Pub. 550.

## Gifts to Charity

You may deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. Examples of these organizations are:

- Churches, temples, synagogues, mosques, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.

**Federal, state, and local governments** if the gifts are solely for public purposes.

**TIP** If you do not know whether you may deduct what you gave to an organization, check with that organization or with the IRS.

##### Contributions You May Deduct

Contributions may be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you may take 12 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

**Gifts From Which You Benefit.** If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you may generally only deduct the amount that is more than the value of the benefit. For example, if you paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40, you may deduct

only \$30. But this rule does not apply to certain membership benefits paid for an annual payment or less. For details, see Pub. 528.

**Gifts of \$250 or More.** You may deduct a gift of \$250 or more only if you show the information in 1 and 2.

In figuring whether a gift is more, do not combine separate deductions. For example, if you gave your church each week for a total of \$1,300, the \$25 payment as a separate gift, made donations through payroll deductions, treat each deduction from each check as a separate gift. See Pub. 528 for more details. If you made a separate gift of \$250 or more through payroll deduction,

1. The amount of any money contributed and a description (but not value) of property donated.

2. Whether the organization did not give you any goods or services in return for your contribution, if you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe the value of the benefit.

**TIP** You must get the statement the date you file your return the due date (including extensions) for filing your return whichever is earlier. Do not attach it to your return. Instead, keep it for your records.

**Limit on the Amount You May Deduct.** See Pub. 528 to figure the amount of your deduction if any of the following apply:

- Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 33.
- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 33.
- You gave gifts of property that increased in value or gave gifts of the use of property.

##### You May Not Deduct as Contributions

- Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

nts per mile will not be indexed for inflation.

to a charity event—e.g., a ball, based on the assumption that the payment represents a burden is on the taxpayer to show that the payment exceeds the fair market value associated with the event. The purchase price

pays \$12 to see a special showing of a painting. The amount of which goes to a qualified charitable organization is "Contribution—\$12." If the regular individual made a contribution of \$7 to the organization,

provide token benefits to contributors. Such benefits are fully deductible only if the total value of the contributions does not exceed the value of the contributions. If the value of the contributions exceeds the value of the contributions, the contributions are not deductible. If the value of the contributions does not exceed the value of the contributions, the contributions are deductible.

eductible payment made to a college for tickets to an athletic event is treated as a contribution if the tickets would have been available to the general public. (Code Sec. 170(f)(1)(B).)<sup>143</sup>

organization directly related to the donor's business. The deduction of financial return commensurate with the contribution is not deductible but may be deductible if the contribution is made under § 1.170A-1(c)(5).<sup>144</sup>

need only enter the total amount contributed. If the contribution exceeds \$500 (over \$5,000 in the case of personal service corporations), the taxpayer must provide details of the donation, and attach it to the return. If the contribution exceeds \$5,000, the taxpayer must complete Section B, Form 8283, giving a copy of the contribution to the taxpayer's tax return.

ore, made on or after January 1, 1994, requires a written acknowledgment from the donee organization. The information that is required to be included in the acknowledgment must include:

- the value of any goods or services (including the value of any goods or services received for the contributions) by payroll deduction may be substantiated, such as a pay-stub or Form W-2, showing the amount of the contribution;
- a document stating that the donee does not provide any partial consideration for contributions;
- the value of the contribution is required only if \$250 or more is contributed. (Code Sec. 170(f)(1)(B).)<sup>147</sup>

<sup>143</sup> 1998 Standard Federal Tax Reports, 575  
<sup>144</sup> § 11.675, 11.696B  
<sup>147</sup> § 11.696B  
 579  
 595

Appraisal fees incurred by an individual in determining the fair market value of donated property are not to be treated as part of the charitable contribution but may be claimed as a miscellaneous deduction on Schedule A of Form 1040.<sup>148</sup>

Except for the carryover rule at § 1060, 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.<sup>149</sup>

**1062. Gifts of Appreciated Property.** The amount deductible for a charitable contribution of appreciated property depends on whether it is ordinary income property or capital gain property, or a combination of both (Code Sec. 170(b)(1)(e); Reg. § 1.170A-4).<sup>150</sup>

**Ordinary Income Property.** Ordinary income property is property that, if sold at its fair market value on the date of contribution, would give rise to ordinary income or short-term capital gain. The deduction for such property is limited to the fair market value of the property less the amount that would be ordinary income. Such property includes inventory and stock in trade, artworks and manuscripts created by the donor, letters and memoranda, capital assets held for less than the required holding period for long-term capital gain treatment, and Code Sec. 306 stock (see § 739 and § 740) (Code Sec. 170(e)(1)(A); Reg. § 1.170A-4(D)(1)).<sup>151</sup>

**Capital Gain Property.** Capital gain property includes any asset on which a long-term capital gain would have been realized if the taxpayer had sold the asset 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) if:

- (1) the property is contributed to certain private nonoperating (grant-making) foundations (see, however, *Qualified Appreciated Stock*, below) (Code Sec. 170(e)(1)(B)(i));
- (2) the gift is tangible personal property put to a use that is unrelated to the purpose or function upon which the organization's exemption is based; or
- (3) the taxpayer elects to disregard the special 30% capital gains limitation in favor of the 50% limitation.<sup>152</sup>

**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, 1996 through June 30, 1998. Qualified appreciated stock is publicly traded stock that is capital gain property. (Code Sec. 170(e)(5)(D)).

**Combination Property.** The amount of a deduction for a gift of property on which part of the gain that would result if it were sold at fair market value would be treated as ordinary income and part as capital gain is specially computed (Code Sec. 170(e)). First, the fair market value is reduced by the ordinary income that would have resulted from a sale at fair market value. 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 (§ 1779-§ 1788) and to recapture of farmland expenditures (§ 1797), as well as interests in oil, gas, or geothermal property (§ 2025).

**1063. Use of Property—Partial Interests.** Generally, a taxpayer is denied a charitable deduction for gifts to charity of the rent-free use of property and other nontrust gifts where less than the taxpayer's entire interest in the property is contributed, except in the following cases: (1) a contribution of an undivided portion of a taxpayer's entire interest in property—for example, a one-fourth interest in property; (2) a contribution of a remainder interest in a personal residence or farm; (3) a qualified conservation contribution; and (4) a charitable deduction would have been allowed had the interest been transferred in trust (Code Sec. 170(D)(3); Reg. § 1.170A-7).<sup>153</sup> See § 538 and § 1070.

Footnote references are to paragraphs of the 1998 Standard Federal Tax Reports.  
<sup>148</sup> § 11.697.10  
<sup>149</sup> § 11.675, 11.682  
<sup>150</sup> § 11.675  
<sup>151</sup> § 11.690.3355  
<sup>152</sup> § 11.675, 11.682  
<sup>153</sup> § 11.675, 11.686



increased to 14 cents per mile. The 14 cents per mile will not be indexed for inflation (Code Sec. 170(i)).

The payment of money for a ticket to a charity event—e.g., a ball, bazaar, show, or athletic event—creates a presumption that the payment represents the purchase price for an item of value. The burden is on the taxpayer to show that the amount paid is not the purchase price or that the payment exceeds the fair market value of the admission or other privileges associated with the event. The purchase price of a raffle ticket is not deductible.<sup>140</sup>

**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 for the movie 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 token benefits have an insubstantial value. In the case of potential donors who receive items in the mail, the organization may advise that a contribution is fully deductible only if the item is low cost, provided for free, and not distributed at the donor's request or consent.<sup>141</sup> Disclosure by a charitable organization of *quid pro quo* contributions in excess of \$75 is required for contributions made on or after January 1, 1994 (Code Sec. 6115).<sup>142</sup> See ¶ 629.

Eighty percent of an otherwise deductible payment made to a college or 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(D)).<sup>143</sup>

Transfers of property to a charitable organization directly related to the donor's business and made with a reasonable expectation of financial return commensurate with the value of the transfer will not qualify for a charitable deduction but may qualify as a trade or business expense (Reg. § 1.170A-1(c)(5)).<sup>144</sup>

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 deductions. For noncash contributions over \$500 (over \$5,000 in the case of C corporations other than closely held or personal service corporations), the taxpayer 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-13)<sup>145</sup> See ¶ 1071.

**Charitable contributions of \$250 or more, made on or after January 1, 1994, must be substantiated by a contemporaneous written acknowledgment 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 to be included in the written acknowledgment. Generally, the acknowledgment 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(D)(8)).<sup>146</sup> Contributions made by payroll deduction may be substantiated with an employer-provided 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 as whole or 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)).<sup>147</sup>

Footnote references are to paragraphs of the 1998 Standard Federal Tax Reports:

<sup>140</sup> ¶ 11,679B.513	<sup>143</sup> ¶ 11,675	<sup>146</sup> ¶ 11,675, 11,696B
<sup>141</sup> ¶ 11,679B.512	<sup>144</sup> ¶ 11,679	<sup>147</sup> ¶ 11,696B
<sup>142</sup> ¶ 38,065	<sup>145</sup> ¶ 11,695	

¶ 1061