Tangible Personal Property

Dear ,

Thank you for offering to contribute (insert description of a property that is neither real estate, securities or cash that the donor has in mind. Artwork and musical instruments are typical examples of tangible personal property) to our organization. We look forward to receiving your gift.

As your tax adviser may have already told you, the charitable deduction you may claim for a contribution of this kind is governed by special IRS rules. Let me describe them briefly.

If the property you want to contribute has appreciated in value and you have owned it for more than a year, your charitable deduction will be equal to its appraised value at the time you give it to us under two conditions: (1) the item is directly related to our charitable purpose and (2) the is held by us after for at least three years and used for our purposes after we receive it. For example, a painting contributed to a fine arts museum and made part of its permanent collection is deductible at fair market value at time of transfer. If, however, that same painting were simply sold by the museum at its annual fundraising auction, the donor could only deduct what he or she had paid for it, or the fair market value of the painting, whichever is *less*. Also, if, for example, a donor contributes an item clearly unrelated to the mission of the organization - an antique automobile to a daycare center, for example - the deduction would be limited to the original cost of the item or its current fair market value, whichever is *less*.

There are also rules that govern how much of the deduction you can use in a given year. For example, the use of a deduction resulting from a gift of *appreciated* property related to our purpose is limited in any given year to 30% of the donor's adjusted gross income. Fortunately, donors have six years to use up their deduction, the year of the gift and five carry-over years. Deductions resulting from gifts unrelated to our purpose, which must be deducted at their cost basis or less, are limited to 50% of the donor's adjusted gross income.

Your (description of the property the donor wishes to contribute) is clearly related to the purpose of our organization and, assuming you have owned it for at least one year, can be deducted at its full fair market value at the time you contribute it to us. Be sure to check with your tax adviser to see if you will require a qualified written appraisal to claim your deduction.
OR
Your (description of the property the donor wishes to contribute) is unrelated to the purpose of our organization and so can be deducted at its cost basis or current fair market value at the time you contribute it to us, whichever is *less*.

I know all this may sound a bit confusing. especially since other kinds of property – real estate and publicly traded stock, for example – are not governed by the related or unrelated use issues. Please call if you have any questions.

We are very grateful to you for considering this thoughtful gift.

Sincerely,