

Non-Cash Charitable Contributions of Improvements to Senior Housing Units

Recently, a few of our clients asked us whether improvements or additions, (e.g., a new terrace fence, renovations, or a water softener) that residents make to their units qualify for a charitable contribution deduction. We believe that the possibility of a deduction absolutely exists. In this situation, the residents are making a gift of the improvement or addition to the Senior Housing Community. This raises the additional questions of "what is the timing of the deduction?" and "how much is deductible?"

Tax law allows a deduction for the fair market value of charitable contributions to qualified organizations in the year that they are made. The contribution is considered made when the property is delivered to the charity and control over the property has been relinquished by the donor in favor of the donee. In the case where permanent improvements or additions are made to a residential unit, the tax position taken is that the improvement immediately becomes the property of the exempt organization, as it is a permanent part of the community. It is at that point that the property has been delivered to the charity and the charitable contribution deduction can be taken in that year.

To the extent that there is personal use of the donated asset by the donor/resident, **a computation of personal use must be made**. This computed personal use reduces the fair market value for purposes of determining the allowable deduction. We suggest that you refer the resident to their personal tax advisor to determine how these rules apply to their particular facts and circumstances.

To take a charitable contribution deduction that is valued at \$250 or more, the resident has to receive written acknowledgement of the contribution from the organization. The acknowledgement should include a description, *but not the value*, of the property, whether the organization provided any goods or services for the property, and a description and good faith estimate of the value of any goods and services that the organization provided to the resident.

A follow-up to this article will be sent in the near future that will discuss the factors important to Senior Housing facilities, addressing these issues relative to being the recipient of donated realty improvements. If you have any questions about this tax topic or other tax questions, please contact Kurt Alter or Karin Vickers at 800-683-5401.

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