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Don’t Leave Charitable Deductions on the Table

Every year, high-earning families give generously to schools, religious organizations, community foundations, and causes close to their hearts. But when tax season arrives, even the most well-intentioned donors often leave money on the table.

The reason is often inadequate documentation, vague or inflated valuations, and a common misconception that small or non-cash donations aren't worth tracking.

Charitable giving is a deeply personal act, but it's also a strategic financial tool. And if you're going to give anyway, it makes sense to make those dollars work as efficiently as possible.

Here's what you need to know to make sure your donations are both meaningful and deductible.

Non-cash donations are deductible if you do it right

Cash donations are easy to track. A check or online donation typically comes with an automatic receipt from a qualified organization. But non-cash contributions like clothing, electronics, furniture, or collectibles require more effort. And unfortunately, this is where many taxpayers fall short.

To claim a deduction for donated goods, you must meet several requirements. The items must go to a qualified 501(c)(3) organization, and they must be in good or better condition. You're also responsible for documenting and reasonably estimating their fair market value. If the total value of your non-cash donations exceeds $500, you're required to file Form 8283 with your return.

It's perfectly legal to claim these deductions, but it's also easy to trigger an audit if the IRS finds the values inflated or undocumented.

How to value donated items the right way

The IRS expects you to use fair market value, meaning what the item would sell for today in its current condition, not what you originally paid.

But how do you really come up with the fair market value for your donations?

Start by using valuation guides from major charities like Goodwill or The Salvation Army, which publish suggested ranges for common items. Take photos of large or high-value items before donating them. Get a written acknowledgment from the charity, especially for donations over $250. And for items valued over $5,000, an independent appraisal is required to support the deduction.

It's perfectly acceptable to keep digital records. Just make sure they're accessible and well-organized in case of an audit or inquiry.

Why tracking matters more for high earners

Charitable giving can meaningfully reduce your taxable income, as long as you itemize deductions. But if you don't track your donations accurately, or if you fail to include non-cash gifts, you may be leaving thousands in deductions on the table.

Starting in 2026, there's an additional threshold to consider: itemizers can only deduct charitable contributions that exceed 0.5% of their AGI. For someone with $500,000 in AGI, that means the first $2,500 in donations provides no tax benefit. This makes accurate tracking even more important, as you'll want to ensure you're maximizing deductions above this floor.

High earners also face income limitations on charitable deductions. Cash contributions to public charities are generally limited to 60% of AGI. Non-cash contributions of appreciated securities or other capital gain property are typically limited to 30% of AGI. Unused deductions can sometimes be carried forward for up to five years, but only if documented correctly in the initial year.

Additionally, if you're in the top 37% tax bracket in 2026, the value of your charitable deductions is capped at 35 cents per dollar, rather than the full 37 cents.

One bright spot for 2026: even if you take the standard deduction, you can now deduct up to $1,000 in cash gifts to public charities ($2,000 for those married filing jointly). This makes it worthwhile to track even modest cash donations, regardless of whether you itemize.

This is why it's especially important for charitably inclined families to have a system in place, not just for tax season, but as part of a broader giving strategy.

Gifting appreciated assets? Different rules, better benefits

If you donate appreciated securities like stocks, ETFs, or mutual funds, the rules change slightly, but the benefits often increase.

You may be able to deduct the full fair market value of the donated asset and avoid capital gains tax you would have owed if you'd sold it instead. But again, proper documentation is key. You'll need records of the date of acquisition, the original cost basis, the fair market value at the time of donation, and a written acknowledgment from the receiving organization.

These gifts can be especially efficient near year-end, when portfolios are being rebalanced, and tax planning is underway.

Make generosity part of the bigger picture

In recent years, the IRS has increased scrutiny on charitable deductions, especially large non-cash donations and inflated valuations. This doesn't mean you should avoid claiming them. It just means your records should be ready to stand on their own.

Whether you're donating household items or appreciated securities, the key is consistency: track every gift, keep accurate documentation, and ensure your giving strategy aligns with your broader financial picture.

For families who give regularly, consider tools like donor-advised funds, which allow you to make larger contributions during high-income years, receive an upfront deduction, and support causes over time.

Align your intentions with your strategy

Charitable giving shouldn't be driven solely by tax benefits, but it's also a mistake to ignore them entirely. With the right systems in place, your generosity can do more for the causes you care about and your long-term financial goals.

Next Step

If you're already giving, make sure you're doing it strategically. Track and document all gifts (cash and non-cash). Understand the AGI limits and compliance requirements. And take full advantage of appreciated asset donations and carry forward rules.

Most importantly, don't wait until filing season. Work with your CPA throughout the year, and contact our office to explore how your charitable goals can be fully integrated into a comprehensive wealth plan.

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About Horty & Horty.

Horty & Horty, P.A. ("Horty") is a full-service public accounting and advisory firm providing personalized and unparalleled service to closely held businesses and owners throughout the Delaware Valley. We are trusted advisors whose service offerings and proven methodologies are designed to mitigate financial risk and help clients realize their goals and achieve success.

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