

## Don't Be Scammed By Fake Charities

### Article Highlights:

- Fraudsters
- Urgent Appeals
- Tips to Avoid Scams & ID Theft
- Cash Contribution Tax Documentation

Each year at this time, the IRS publishes its list of the "dirty dozen" tax scams. Among the dirty dozen are groups that masquerade as charitable organizations to attract donations from unsuspecting contributors. Before you write a check, be aware that fraudsters are out there soliciting on behalf of bogus charities and that some so-called charities aren't entirely honest about how they use contributions.

Urgent appeals for aid – whether in person, over the phone, by mail, via e-mail, on a website, or through a social networking site – may not be on the up-and-up. Fraudsters pop up after natural disasters such as earthquakes and floods to try to coax people into making donations that will go into the fraudsters' pockets – not to help victims of the disaster.

Unfortunately, legitimate charities face competition from fraudsters, so if you are thinking about giving to a charity with which you are not familiar, do your research so that you can avoid the swindlers who are trying to take advantage of your generosity. Here are tips to help make sure that your charitable contributions actually go to the cause that you support:

- Donate to charities that you know and trust. Be alert for charities that seem to have sprung up overnight in connection with current events.
- Ask if a caller is a paid fundraiser, who he/she works for, and what percentages of your donation go to the charity and to the fundraiser. If you don't get clear answers – or if you don't like the answers you get – consider donating to a different organization.
- Don't give out personal or financial information — such as your credit card or bank account number – unless you know for sure that the charity is reputable.
- Never send cash. You can't be sure that the organization will receive your donation, and you won't have a record for tax purposes.
- Never wire money to someone who claims to be from a charity. Scammers often request donations to be wired because wiring money is like sending cash: Once you send it, you can't get it back.
- If a donation request comes from a charity that claims to help a local community group (for example, police or firefighters), ask members of that group if they have heard of the charity and if it is actually providing financial support.
- Check out the charity's reputation using the [Better Business Bureau's \(BBB\) Wise Giving Alliance](#), [Charity Navigator](#), or [Charity Watch](#).

Remember that, to deduct a charitable contribution on your tax return, the donation must be to a legitimate charity. Contributions may only be deducted if they are to religious, charitable, scientific, educational, literary, or other institutions that are

incorporated or recognized as organizations by the IRS. Sometimes, these organizations are referred to as 501(c)(3) organizations (after the code section that allows them to be tax-exempt). Gifts to federal, state, or local government, qualifying veterans' or fraternal organizations, and certain nonprofit cemetery companies also may be deductible. Gifts to other kinds of nonprofits, such as business leagues, social clubs, and homeowner's associations, as well as gifts to individuals, cannot be deducted.

To claim a cash contribution, you must be able to document that contribution with a bank record, receipt, or a written communication from the qualified organization; this record must include the name of the qualified organization, the date of the contribution, and the amount of the contribution. Valid types of bank records include canceled checks, bank or credit union statements, and credit card statements. In addition, to deduct a contribution of \$250 or more, you must have certain payroll deduction records or an acknowledgment of your contribution from the qualified organization.

Be aware that, to claim a charitable contribution, you must also itemize your deductions. It may also be beneficial for you to group your deductions in a single year and then to skip deductions in the next year. Please contact this office if you have questions related to the tax benefits associated with charitable giving for your particular tax situation.