

March 11, 2006
March 15th Deadline for Accrued Charitable Contributions

If your fiscal year ends Dec. 31, your deadline to make and document accrued charitable contributions is March 15th. By that deadline, you must have made the contribution and documented it for your return. If you have accrued charitable contributions, please contact your tax manager immediately to: (a) verify timely payment of the contribution and (b) develop the necessary attachments to document your contribution.

Recently, issues related to C corporations' accrual of charitable contributions have arisen, and we wanted to bring these rules to your attention. As you may be aware, **accrual basis corporations that pay out accrued charitable contributions within 2 ½ months of their year-end may deduct these contributions on their return for the current year.** In the past, you may have accrued charitable contributions as part of your year-end tax planning.

To qualify for the accrued charitable contribution deduction on your tax return, your board of directors must have authorized the contribution before the end of your tax year and the donation must be made within the first 2 ½ months of the following tax year. In addition, a copy of the resolution of the board of directors authorizing the contribution should be attached to your return, together with a verified declaration, signed by your president or other principal officer, stating that the resolution was adopted during the tax year. Please provide the resolution to us for attachment to your tax return and we will provide the declaration for your officer's signature.

If your C corporation makes any charitable contributions, your deduction will be limited to 10 percent of your taxable income. If your charitable contribution is limited, you are only allowed five years to carry it forward. After that time, any unused charitable contribution carryovers will be lost. If your company has any charitable contribution carryovers that are about to expire, every effort should be made to absorb these carryovers before making new contributions. As an example, you could forego the deduction of the year-end accrual outlined above.

Charitable giving can be complicated, yet it provides numerous tax benefits. If you have any questions about charitable contributions, or if you would like help planning your contributions as part of your year-end tax planning, please contact our office at your earliest convenience.

Respectfully,

Allen, Gibbs & Houlik, L.C.

Donald J. Glenn
Executive Vice President