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Deduction carryover is the portion of a charitable deduction that a taxpayer can carryover to his or her next income tax return. Carryover, also known as carryforward, arises because the charitable income tax deductions that a taxpayer may take in a year are limited by the taxpayer's adjusted gross income (AGI).

For most kinds of gifts to public charities, deductions attributable to cash and other non-appreciated property are limited to 50% of the taxpayer's AGI. Within the 50% limit, deductions attributable to appreciated property are further limited to 30% of the taxpayer's AGI. A taxpayer can deduct on the next tax return the portion of a charitable deduction that he or she cannot use because of the 30% or 50% limitations, again subject to the same limitations. The taxpayer can continue to report this carryover, as needed, on up to six tax returns: the tax return for the year of the gift plus the following five tax returns.

**Example:** Suppose a taxpayer with an AGI of \$100,000 makes total cash donations of \$30,000 and total appreciated property donations of \$30,000 during year 1. The donor has no carryforward from prior years. In year 2, the donor again has an AGI of \$100,000 and makes cash donations of \$60,000, but no appreciated property donations.

Year 1: cash limitation is \$50,000, appreciated property limitation is \$30,000

Cash donations = \$30,000; deduction taken = \$30,000

Appreciated donations = \$30,000; deduction taken = \$20,000

Carryforward = \$10,000 of appreciated donations

Year 2: cash limitation is \$50,000, appreciated property limitation is \$30,000

Cash donations = \$60,000; deduction taken = \$50,000

Appreciated donations and carryforward = \$10,000; deduction taken = \$0

Carryforward = \$10,000 of cash donations and \$10,000 of appreciated donations

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