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Directive 01-10: Deduction of Charitable Contributions For Taxpayers Whose Charitable Contributions Exceed Federal Deduction Limits

Most taxpayers claiming a deduction for charitable contributions should follow the instructions for entering their deduction for charitable contributions on Schedule Y of their Form 1 or Form 1-NR/PY. For a few taxpayers, the Schedule Y instructions need to be supplemented by the provisions of this Directive. Under the Internal Revenue Code, the deduction for charitable contributions is limited to a maximum of 20%, 30%, or 50% of a taxpayer's adjusted gross income, depending on the type of property given and the type of organization it is given to. A taxpayer who deducts charitable contributions in Massachusetts must apply the same federal limits to his or her Massachusetts charitable contribution deduction. The limits apply to the Massachusetts deduction for charitable contributions whether or not a taxpayer itemizes deductions on his or her federal income tax return.

A taxpayer claiming a deduction on his or her Massachusetts return whose charitable contributions exceed the applicable federal limit must use, as a starting figure, the amount the taxpayer enters (or would enter if the taxpayer itemized) in line 18 of Schedule A-Itemized Deductions of the taxpayer's federal 2001 Form 1040. [\(1\)](#) This figure must be reduced by any prior-year charitable contribution carryovers it may include. A resident taxpayer will enter the resulting figure in line 9a and/or line 9b of 2001 Form 1, Schedule Y. A part-year resident taxpayer will multiply the amount by Form 1-NR/PY, line 2 and enter the result in line 9a and/or line 9b of 2001 Form 1-NR-PY, Schedule Y. A nonresident taxpayer will multiply the amount by Form 1-NR-PY, line 14g and enter the result in line 9a and/or line 9b of 2001 Form 1-NR/PY, Schedule Y. Taxpayers whose charitable contributions exceed the applicable federal limits should disregard the references to U.S. Schedule A, lines 15 and 16 in the instructions to Form 1 and Form 1-NR/PY.

For example, a Massachusetts resident taxpayer has federal adjusted gross income of \$50,000. During 2001, she makes a charitable contribution of \$30,000 in cash to a 50% limit organization, as the term is explained in Internal Revenue Service Publication 526. After working through the federal Worksheet for Limit on Deductions found in Publication 526, she can deduct only \$25,000 of the cash contributions made during 2001 on her federal tax return. She enters this amount in line 18 of Schedule A (Form 1040) and carries over a \$5,000 charitable contribution deduction to next year. On her Massachusetts tax return she will enter \$25,000 in line 9a of Form 1, Schedule Y.

This Directive applies to the 2001 tax year.

/s/Bernard F. Crowley, Jr.,
Bernard F. Crowley, Jr.
Acting Commissioner of Revenue
BFC:DMS:lab

December 27, 2001

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Footnotes:

1. Information on how to calculate the amount that may be deducted on the taxpayer's federal income tax return may be found in Internal Revenue Service Publication 526, revised December, 2000. ([return to text](#))