

## **Corporate contributions of computer technology or equipment to schools or libraries before 2008**

There are special rules that can give your corporation larger charitable deductions for certain contributions of computer technology or equipment to schools or libraries. These rules only apply to contributions made in tax years starting before 2008. (Thus, for calendar-year corporations, the contribution must be made by Dec. 31, 2007.)

In general, when property that would not result in long-term capital gain if sold (e.g., inventory) is contributed to charity, the deduction is based on the cost (basis) the corporation had in the property. Thus, if the donated property cost \$10,000, the deduction will be limited to \$10,000 even if the value of the property is higher.

However, under special rules applicable to regular ("C") corporations, if property qualifying under the computer technology and equipment rules (discussed below) is donated to an educational organization or public library that will use it for educational purposes, the deduction will be increased by half of the difference between basis and value (with an upper limit of twice the basis).

For example, if the donated property's basis is \$10,000 and its value is \$16,000, the deduction will be \$13,000: the \$10,000 basis, plus half of the \$6,000 excess of value over basis. But if the basis is only \$4,000 and the value is \$16,000, the deduction cannot exceed \$8,000 (the \$4,000 basis  $\times$  2) under these rules.

To qualify under these rules, the donated property must be computer software, computer or peripheral equipment, or fiber optic cable related to computer use. It must fit productively into the educational plan of the donee and must be used for such educational purposes. The property must be donated within three years after the donor acquired the property, or for property constructed or assembled by the donor, within three years after the construction or assembly is substantially completed. The donee must be the original user of the property (although there is a special rule excepting property reacquired by the manufacturer from this requirement). There are additional requirements that must be met.

There's no dollar limit on how much computer technology or equipment your corporation can give away under these rules, but the regular overall deduction limit for corporations still applies. So the total charitable deduction for the year cannot exceed 10% of corporate taxable income (as determined with several modifications for these purposes). Contributions in excess of the 10% limit are carried forward and may be used during the next five years (subject to the 10%-of-taxable-income limitation each year).