

## **Corporate contributions of scientific property for education or research**

There are special rules that can give your corporation larger charitable deductions for certain contributions of scientific property that it constructed or assembled.

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 property is worth more.

However, if a regular ("C") corporation contributes certain scientific property (as described below) to an educational or research organization that will use it for research, experimentation, or training, the deduction is 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 as scientific property, the donated property must be scientific equipment or apparatus that is inventory-type property. It must have been constructed or assembled by the donating corporation. The property must be donated within two years after the construction or assembly was substantially completed, and the donee must be the original user of the property.

There's no dollar limit on how much scientific property 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). Contributions in excess of the 10% limit are carried forward for the next five years (subject to the 10% taxable income limitation each year).

To take advantage of these special rules, certain additional requirements must be met and the donee must provide you with a written statement.