



## Taxation FAQ 4

### **Are gifts to municipalities tax deductible for federal income tax purposes?**

Yes. The Federal Internal Revenue Code provides that a contribution or a gift to a political subdivision of a state is tax deductible, but only if the gift is made for exclusively public purposes. 26 U.S.C. sec. 170(c)(1). Cities and villages are subdivisions of the state. Thus, any gift or contribution to a municipality which is made for exclusively public purposes is tax deductible. For example, a cash contribution to a city police department to be used as a reward for information about a crime is tax deductible. Similarly, a gift of money or property to a village library to be used for the construction of a new library building is tax deductible.

Contributions to a municipality which are earmarked for a particular individual, family or private organization are not tax deductible because they are not made solely for a public purpose. Thus, for example, a cash gift to a municipality for "flood disaster relief" or other disaster relief which is earmarked for a certain business or individual is not tax deductible.

For more information on the tax deductibility of contributions and gifts to municipalities see Internal Revenue Service Publication 526.