



## Deconstruction & Used Building Materials Donations

Unlike traditional charitable donations, in order to be eligible for a tax-deductible donation credit from reusable building materials it is required that an IRS-qualified appraiser determines the value of the donation itself.

San Diego Deconstruction & Demolition coordinates all of our deconstruction projects work with a local 501©3 corporation that is specialized in deconstruction IRS-qualified appraisals and tax-deductible donations for salvaged building materials.

Through this partnership, we can provide our customers with the peace of mind that their deconstruction project is being handled in the most professional, ethical, and environmentally friendly way possible, while also taking away the burden of sourcing appraisers, qualified donation centers, and the red tape that goes along with maximizing the economic benefits of qualified deconstruction donations.

### Determining the Value of a Donation:

- If the value of an in-kind donation is \$5,000 or greater, Form 8283 requires the preparation of an appraisal report and the signature of an independent, third-party appraiser.
- Appraisers must be IRS qualified, and the appraisal must be conducted according to the standards of the Appraisal Foundation.
- The materials valued by the appraiser must be listed on a donation form with specific and detailed information sufficient to enable the IRS to make its own assessment as to the types of materials donated and their condition.
- The materials list must be prepared by the donation center in collaboration, and agreement, with the donor. If the inventory is prepared by either the contractor or the appraiser, the donation may be deemed invalid.

### Appraisers:

- Not all licensed appraisers are qualified to appraise used building materials. A donor may think that any licensed appraiser is sufficient. However, licensing is a state requirement, not a federal one. IRS-qualified appraisers must have background, education, training, and professional certifications in the exact type of materials they are valuing.

- An appraiser may not appraise materials for which the appraiser has also helped the donor identify a recipient organization. This simple act nullifies the independence of the appraiser and may void the donation.
- Appraisers, to maintain independence, may not participate in the selection of materials to be donated. This would involve them in the donation transaction and pose a potential conflict of interest, wherein the quantity of donated materials might be inflated to increase the cost of the appraisal.

### **Nonprofit Organizations:**

- While in-kind donations may be made to any 501 (c)3 organization that is not a foundation, there are certain restrictions as to the final tax-deductible amount of each donation.
- Request a copy of the nonprofit's Form 990 "Return of Organization Exempt From Income Tax," or Form 1023 "Application for Recognition of Exemption under Section 501 (c)3 of the Internal Revenue Code."

### **Economic Benefits of Deconstruction:**

Beyond the environmental benefit of choosing deconstruction, financial benefits may be gained by choosing deconstruction over traditional demolition. Appraisals for donation values will vary depending upon the location, age, style, and condition of the property and the type of construction and salvageable materials in addition to the topography of the property, and landfill rates. Each job is entirely unique.

Our local San Diego deconstruction specialists provided us with a helpful example to demonstrate the cost savings associated with full-house deconstruction projects versus traditional demolition methods. By comparing a composite of full-house deconstruction projects with traditional demolition, they estimate a total after-tax savings of \$11,700. This example assumes a 2,400 square-foot house with a two-car attached garage, composition roofing, wood siding, drywall, raised foundation, single-pane wood windows and tongue and groove hardwood floors. However, please note that these numbers are subject to variation based on factors such as the location, age, style, and condition of the house, the type of construction and materials used, topography of the property, landfill rates and other factors.

SEE EXAMPLE ON FOLLOWING PAGE

WORK COMPLETED	DECONSTRUCTION	TRADITIONAL DEMOLITION
Total Structure Demolition and Disposal of Debris	\$28,800	\$8,000.00
Removal of Concrete and Hardscape	\$5,000	\$5,000
Appraisal of Salvaged Materials *	\$2,500	-0-
<b>TOTAL COST</b>	<b>\$36,300</b>	<b>\$13,000</b>
Appraised Donation Value	\$100,000	
Tax Savings (after-tax value of donated materials) ***	\$35,000	-0-
Total Costs (from above)	\$36,300	\$13,000
Less Tax Savings (from above)	\$35,000	-0-
<b>TOTAL AFTER TAX COST</b>	<b>\$1,300</b>	<b>\$13,000</b>

\* Appraisal costs may be deductible on Schedule A of IRS Form 1040. \*\* Total materials to be salvaged (lumber, cabinets, plumbing and electrical fixtures, doors, windows, etc.) would generally appraise at \$87,500 to \$120,000 in good reusable condition.

\*Assuming a combined federal and state tax bracket of 35% and an approximate appraisal-estimate average of \$100,000, the after-tax cash value is \$35,000

