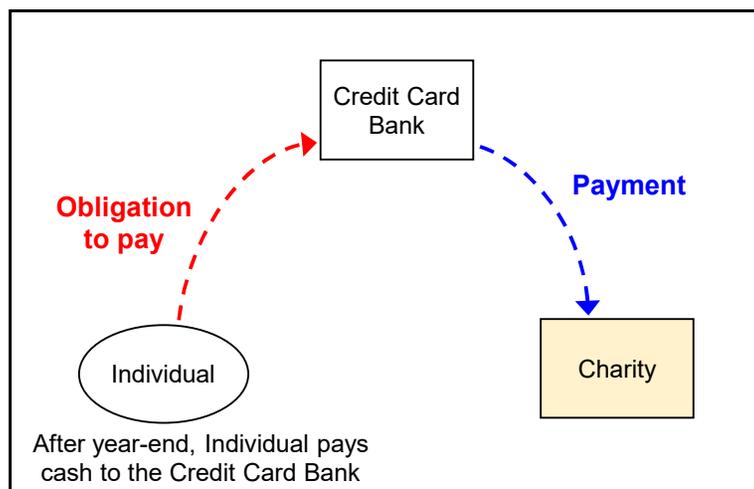
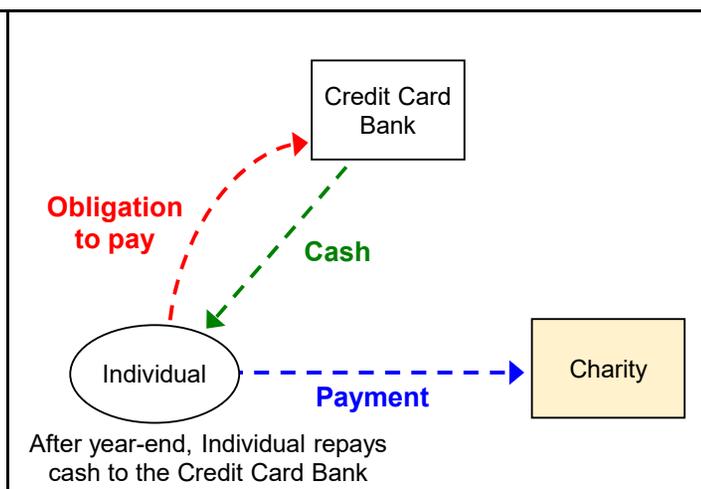


## Charitable Contribution Via Credit Card: Deductible in Year Charge Was Made

### Charitable Contribution Via Credit Card



### Equivalent Transaction



This ruling addressed whether a taxpayer making a charitable contribution by credit card may take a deduction for the contribution in the year the charge is made or only in the year the bank is repaid.

The credit card holder, by using a credit card to make the contribution, became immediately indebted to a third party (the bank) in such a way that the cardholder could not thereafter prevent the charitable organization from receiving payment. The credit card draft received by the charitable organization from the credit card holder was immediately creditable by the bank to the organization's account as if it were a check. Since the cardholder's use of the credit card creates the cardholder's own debt to a third party, the use of a bank credit card to make a charitable contribution is equivalent to the use of borrowed funds to make a contribution.

The general rule is that when a deductible payment is made with borrowed money, the deduction is not postponed until the year in which the borrowed money is repaid. Such expenses must be deducted in the year they are paid and not when the loans are repaid. *Granat v. Commissioner*, 55 T.C. 753 (1971).

Accordingly, a taxpayer who makes a contribution to a qualified charity by a charge to the taxpayer's bank credit card, is entitled to a charitable contribution deduction under section 170(a) in the year the charge was made and the deduction may not be postponed until the taxpayer pays the indebtedness resulting from such charge.