

# Charitable Contribution Receipts

By Rollie Dimos



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Charitable contributions are the lifeblood of nonprofits. In 2012, public charities reported receiving \$316 billion in charitable giving. One-third of those donations were given to religious organizations.

There are several types of donations a church may receive: donations of cash, or in-kind donations of goods and services. Acknowledging a donor's generous contribution is an important step in developing an ongoing relationship, and providing a donation receipt that complies with IRS requirements is equally important if the donor expects to receive charitable giving credit on their personal income taxes.

But properly receipting a donation depends on what is being donated and how much it may be worth. The IRS rules are complex and often cause church bookkeepers to wonder, "Should we provide a receipt? If so, what information must be on the receipt?"

This article will provide the answers to these questions and help you navigate different IRS requirements to ensure your donors receive the proper acknowledgment for their donations.

Let's look at some of the more common questions regarding donations:

1. What must be included on the donation receipt?
2. Does a church need to receipt every contribution or only those over \$250?
3. How should a church acknowledge a vehicle donation?
4. How should a church acknowledge a noncash donation valued between \$500 and \$5,000?

5. How should a church acknowledge a noncash donation whose value exceeds \$5,000?
6. How should a church acknowledge a noncash donation of publicly traded stock valued at over \$5,000?
7. How should a church receipt a spaghetti dinner fundraiser that costs \$100 per ticket?
8. A donor wishes to designate a gift to a pastor or staff member. Can we provide a contribution receipt?
9. What is an example of an acceptable acknowledgment for:
  - a. Cash donations?
  - b. Noncash donations?
  - c. Quid pro quo transactions?

## 1. What must be included on the donation receipt?

In order for a donor to deduct a charitable contribution on Schedule A of their income tax return, the donor must receive a written acknowledgment from the church containing the following information:

- Name of the church.
- Date of contributions.
- Total amount of cash contributions, to include an itemized listing of each contribution of \$250 or more.
- A description of noncash contributions.
- Any of the following statements, as applicable:
  - > Statement that no goods or services were provided by the church in return for the contribution.
  - > Description and estimate of the value of goods and services, if any, that the church provided in return for the contribution.

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## Charitable Contribution Receipts (cont.)

- > Statement that goods or services, if any, that the church provided in return for the contribution consisted entirely of intangible religious benefits if that was the case.

### 2. Does a church need to receipt every contribution or only those over \$250?

In order for a taxpayer to receive charitable giving credit on their taxes, they must be able to substantiate the donation with either a written acknowledgment from the charity or a bank record (e.g., a bank statement, cancelled check, digital image of the cancelled check, or credit card statement). The bank record must show the name of the charity, date and amount of the contribution.

However, a written acknowledgment from the charitable organization is required to substantiate amounts of \$250 and above. In order to help taxpayers with their substantiation requirements, most churches will include all of the donor's contributions—even those that do not individually exceed \$250 on an annual giving statement. Each contribution should be listed individually on the acknowledgment but multiple contributions made in the same week can be combined into a single contribution.

### 3. How should a church acknowledge a donation of an automobile, boat or plane?

If the church receives a donated vehicle (automobile, boat or plane), the church should issue a written acknowledgment to the donor within 30 days documenting the facts of the donation. The church must also issue IRS Form 1098-C (Contributions of Motor Vehicles, Boats and Airplanes) to the donor and to the IRS, documenting the facts of the donation and the

vehicle. Additional information may be required on Form 1098-C depending on how the church uses the vehicle.

- If the donated vehicle is used by the church to substantially further its regularly conducted activities (e.g the vehicle is used to provide transportation to church services, or the vehicle is provided to a needy family through the church's benevolence program), then the donor is entitled to a charitable contribution equal to the fair market value of the donated vehicle.
- If the donated vehicle is not placed into use by the church to substantially further its regularly conducted activities, but is rather sold by the church, the donor is only entitled to a charitable contribution equal to the lower of the fair market value or the selling price of the vehicle. If the church sells the vehicle, it must include the amount of the vehicle's sale on the Form 1098-C it provides to the donor and the IRS.

Establishing the fair market value of the donated vehicle is the responsibility of the donor, not the church. The donor can use widely available used vehicle pricing manuals for this valuation.

### 4. How should a church acknowledge a noncash donation valued between \$500 and \$5,000?

When providing a contribution receipt for a noncash donation, the church should include a description of the item, but shouldn't assign a value to the donated item. Assigning value is the responsibility of the donor. If the donor

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## Charitable Contribution Receipts (cont.)

values the gift at \$500 or greater, the donor will need to complete IRS Form 8283 (Noncash Charitable Contributions). If the donated item is valued more than \$5,000, there are additional requirements for the donor, such as obtaining a qualified appraisal, which are discussed in questions 5 and 6.

### 5. How should a church acknowledge a non-cash donation whose value exceeds \$5,000?

As with any donation, the church should provide a donation receipt that includes the name of the church, the date of the contribution, and a description of the donated item. If the donor believes the item is valued at \$5,000 or more, the donor must obtain an appraisal of the donated property from a qualified appraiser and complete a qualified appraisal summary, which is Section B of Form 8283. The appraisal summary must be signed by the appraiser and a church representative. The completed Form 8283 is then included with the donor's Form 1040 on which the charitable contribution deduction is claimed.

If the church sells, exchanges or disposes of the donated property within 3 years, the church will need to file Form 8282 (Donee Information Return) with the IRS and provide a copy to the donor.

### 6. How should a church acknowledge a noncash donation of publicly traded stock valued at over \$5,000?

Publicly traded stock whose value exceeds \$5,000 does not require a qualified appraisal since the value can be readily ascertained. However, the donor will still have to complete Section A of Form 8283. The donor is required to complete Form 8283 for any noncash contribution of \$500 or more.

### 7. How should a church receipt a spaghetti dinner fundraiser that costs \$100 per ticket?

A church may hold a fundraising dinner where a meal is provided in exchange for a donation that greatly exceeds the value of the meal. When something of value is received in exchange for a contribution, a quid pro quo transaction has occurred. Additional reporting requirements exist if these transactions exceed \$75.

If the total contribution (in this case, the ticket price) exceeds \$75, the church must:

- Furnish a written disclosure statement that provides the donor with a good faith estimate of the value of the goods or services provided in exchange for the contribution.
- Inform the donor that the amount of their tax-deductible contribution is limited to the amount of the donation less the value of the goods or services provided.

For transactions less than \$75, the church is not required to provide the disclosure statement. However, before claiming a charitable tax deduction, the donor is still obligated to reduce the contribution by the value of any goods or services received.

### 8. A donor wishes to designate a gift to the pastor or staff member. Can we provide a contribution receipt?

In order for a charitable contribution to be granted by the church for a contribution received, the contribution must be to and for the use of the church. This means that individuals must not personally benefit from a contribution made to the church. So, for example, if Donor

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X writes a check to the church, designating that the amount should be given to Pastor Y, the church is simply acting as an intermediary for a personal gift (not a donation) from Donor X to Pastor Y. The IRS would view this no differently than a birthday card with money inside—no contribution receipt should be issued to the donor and no income should be recorded for the pastor.

There is an exception to this general rule for special occasion gifts. A church may take an offering for the pastor or church staff on special occasions, such as Christmas, pastor appreciation week or birthdays. On such special occasions, it is best for the church to announce that an offering for this special occasion will be taken and that charitable contribution receipts will be given to donors for this offering. Under these circumstances, the church may issue charitable contribution credit to donors for amounts given and the amounts should be added to the taxable compensation (W-2 or 1099-MISC) of the pastor or staff members who receive the benefit of the offering.

### 9. What is an example of an acceptable acknowledgment for:

- Cash donations?
- Noncash donations?
- Quid pro quo transactions?

Sample acknowledgments are included at the end of this article.

### Additional Resources:

This information is just a summary of the IRS's rules on charitable contributions. Due to the complexity and required forms and disclosure, you may want to consult a local tax accountant for further help.

Need more examples not discussed here? Richard Hammar's *2013 Church and Clergy Tax Guide* is a helpful resource and provides detailed information about contribution reporting requirements and includes several more informative examples.

Considering a fundraising auction?

This topic was discussed in a previous newsletter and can be viewed [here](#).

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### About the Author:

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## Exhibit 1:

### Sample Charitable Contribution Receipt (End of Year)

January 31, 2013

Charitable Contribution Statement for 2012 for:

John & Jane Doe

123 Main St.

Springfield, MO 65802

For the calendar year 2012, our records indicate that you made the following cash contributions to First Assembly of God.

Date	General	Missions	Other	Total
1/31/12	\$100.00	\$50.00	\$0.00	\$150.00
3/31/12	\$100.00	\$0.00	\$60.00	\$160.00
4/30/12	\$300.00	\$50.00	\$0.00	\$350.00
5/15/12	\$100.00	\$0.00	\$0.00	\$100.00
7/15/12	\$300.00	\$50.00	\$25.00	\$375.00
8/31/12	\$0.00	\$0.00	\$250.00	\$250.00
10/01/12	\$200.00	\$50.00	\$0.00	\$250.00
12/15/12	<u>\$200.00</u>	<u>\$50.00</u>	<u>\$50.00</u>	<u>\$300.00</u>
Total	\$1,300.00	\$250.00	\$385.00	\$1,935.00

No goods or services were provided to you in connection with these gifts except for those consisting entirely of intangible religious benefits.

Please retain this document for your records. Should you have any questions concerning this statement or the amounts shown, please contact the church office.

John Smith, Treasurer  
First Assembly of God  
1445 N. Boonville Ave.  
Springfield, MO 65802

## **Exhibit 2:**

### **Sample Donor Acknowledgement for a Gift in Kind**

August 1, 2013

John & Jane Doe  
123 Main St.  
Springfield, MO 65802

Mr. & Mrs. Doe:

First Assembly of God gratefully acknowledges your gift on July 15, 2013 of the following items for the use of the Music Department of First Assembly of God.

- Electric Bass Guitar with Amplifier – excellent condition
- Five (5) Metal Music Stands – good condition

No goods or services, other than intangible religious benefits, were given to you in exchange for these gifts.

The value of your gift is established by the fair market value on the date the items were transferred to First Assembly of God. You, as the donor, are responsible for establishing the fair market value of these items. If you value this gift at \$500 or more, you should complete IRS Form 8283 (Noncash Charitable Contributions) in order to report this gift as a charitable contribution on your income tax return.

Thank you for your interest in and support of this ministry.

John Smith, Treasurer  
First Assembly of God  
1445 N. Boonville Ave.  
Springfield, MO 65802

## Exhibit 3:

### Sample Donor Acknowledgement for a Quid Pro Quo Contribution

August 1, 2013

John & Jane Doe  
123 Main St.  
Springfield, MO 65802

Mr. & Mrs. Doe:

First Assembly of God gratefully acknowledges your quid pro quo contribution on July 15, 2013. The following is a summary of your contribution.

Date	Total Amount	Value & Description of Goods & Services Provided to You	Net Amount of Contribution (Tax- Deductible Amount)
7-15-13	\$100	\$20 (dinner)	\$80

This statement includes a good faith estimate of the value of goods or services you received in exchange for any individual contribution of more than \$75. The tax-deductible portion of your contribution is limited to the amount of your contribution less the value of goods or services received in return (as noted above).

Thank you for your continued support of this ministry.

John Smith, Treasurer  
First Assembly of God  
1445 N. Boonville Ave.  
Springfield, MO 65802