

Charitable Contribution Receipts

Proper receipting of **Charitable Contributions** by churches is extremely important to those who donate to the church. If the contribution receipt does not comply with IRS requirements, the donor may not be allowed to deduct the contribution on their tax return. There is no direct impact on the church, except for the possible loss of good will on the part of the donor.

Richard Hammar shares the story of one such situation –

In January 2008, the church issued a receipt to a member who made a \$ 1,000 cash gift in 2007. The receipt did not include a statement that the church provided no goods or services in exchange for the contribution other than intangible religious benefits.

During an audit of the member's 2007 income tax return the IRS **denied** the member a deduction for that contribution because of that omission by the church. The church was hoping to issue an amended receipt to help "cure" this problem

The short answer is **"No!"** The member simply loses that deduction.

Richard shares that the IRS requires that a contribution of \$ 250 or more must be supported by a receipt from the church containing all required information and that is received on or before **the earlier** of the date the taxpayer filed their return **or** the due date for the return, including extensions.

In a recent letter ruling, the IRS noted that no contribution deduction of \$ 250 or more is allowed "unless the taxpayer substantiates the contribution by a **contemporaneous** written acknowledgement of the contribution by the donee organization. If an acknowledgement fails to contain the required information or the taxpayer fails to receive the acknowledgement within the required time. . . no deduction is allowed". They went on to stress that "taxpayers may not cure the defect after the fact and receive a whole or partial deduction". The effect of a failure to comply with the substantiation requirements "is total denial of deduction". (**highlights mine**)

Contemporaneous means the taxpayer must have the receipt in their possession at the time they claimed the tax deduction on a timely filed return.

This story illustrates how critical it is for a church to issue a contribution receipt that complies with all the IRS requirements.

Charitable Contributions

Charitable contributions generally must satisfy 6 requirements:

1. A gift of cash or property
2. Claimed as a deduction in the year in which the contribution is made

3. The contribution is unconditional and without personal benefit to the donor
4. The contribution is made “to or for the use of “a qualified charity
5. The contribution is within the allowable legal limits
6. The contribution is properly substantiated

Personal services. The value of personal services is ***never*** deductible as a charitable contribution, but expenses incurred in performing services on behalf of a church may be.

Rent-free building space. The value of rent-free building space made available to a church ***cannot be claimed*** as a charitable contribution.

Direct contributions to an individual. Direct contributions to missionaries, or any other individual, are not tax-deductible, even if they are used for religious or charitable purposes.

Substantiation. Charitable contributions must be properly substantiated.

A church should issue a ***Contribution Receipt*** that lists the date and amount of each **cash contribution** given to the church during a calendar. This receipt should include a statement like the following:

“No goods or services were provided to you by the church in connection with any contribution, or their value was insignificant or consisted entirely of intangible religious benefits.”

This Contribution receipt should be for cash contributions **only**.

In some cases, people will pay an ***expense*** for the church (EG: cleaning of Missions flags) and say, “Don’t reimburse me, just give me tax credit”. These should not be included on the Contribution Receipt, but instead should be documented as follows:

- Ask for the receipt to document the contribution and
- Write a letter to the person that states what was paid and attach a copy of the receipt for their tax records (keep the original in the church’s records). See a sample letter at the end of this article.

In other cases, people donate an item of property to the church (EG: a Ranger 620VS Fisherman boat) to the church. That type of donation should be documented as follows:

- Obtain a detailed description of the property, including serial numbers if applicable; and
- Write a letter to the person that details the property that was given, **however** do not

assign a value to the property (even if the donor tells you what the item is worth). The IRS requires the donor to establish the value of the donation. See a sample letter at the end of this article.

Additional requirements apply to contributions of noncash property valued by the donor at \$500.00 or more. If the value is more than \$5,000.00, then the donor must obtain a qualified appraisal of the property and attach an appraisal summary (IRS Form 8283) to the tax return on which the contribution is claimed. In some cases, a church that receives a donation of noncash property valued by the donor at more than \$5,000.00 must submit an information return (IRS Form 8282) to the IRS if the church disposes of the property within three years of the date of gift.

There are also special reporting requirements for contributions of motor vehicles, boats and airplanes. If the donation is valued at more than \$ 500.00, the church must file a Form 1098-C with the IRS and give the donor a copy. The church must provide the donor with their copy of Form 1098-C within 30 days of the donation or the sale of the item depending on the circumstances surrounding the donated item. This is a bit involved, so I would recommend that you call a competent tax advisor or the District Office for assistance in complying with these provisions.

Proper receipting of **Charitable Contributions** by churches is extremely important to those who donate to the church. If the contribution receipt does not comply with IRS requirements, the donor may not be allowed to deduct the contribution on their tax return.

**Sample Receipt Letter for Expenses Paid
(on church letterhead)**

April 30, 2010

Jim & Sue Thompson
8210 Pleasant Lane
Maple Grove, MN 55369

Dear Jim & Sue:

Warm greetings in the wonderful name of our Savior and Lord, Jesus Christ!

This letter will acknowledge the expenses you paid on behalf of the Minnesota District for the dry cleaning the Missions display flags in the amount of \$58.16. We have attached the receipts for your records.

Your liberality allows us to maintain the quality of our programming. Thank you and God bless you for your generosity.

Sincerely,

Mark Ericson
Accounting Supervisor

**Sample Receipt Letter for Noncash Contributions
(on church letterhead)**

April 30, 2010

Jim & Sue Thompson
8210 Pleasant Lane
Maple Grove, MN 55369

Dear Jim & Sue:

Warm greetings in the wonderful name of our Savior and Lord, Jesus Christ!

Thank you for the donation of a Ranger 620VS Fisherman boat to Lake Geneva Christian Center, which is owned and operated by the Minnesota District. Your gift was received on April 27, 2010.

Your liberality allows us to offer exciting multi-faceted programming to the guests that use Lake Geneva Christian Center. Thank you and God bless you for your generosity.

No goods or services were provided in exchange for your donation.

Sincerely,

Mark Ericson
Accounting Supervisor