ChurchLaw&Tax

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Not Taxing at All

Providing receipts for donors of all kinds is an uncomplicated and necessary task.

Church members, and others who support activities in and through a church, often do so because they love the Lord and support the local church's ministries and activities. Their gifts are part of their worship and stewardship. While not usually a major driver, people also give money and goods to a church to obtain personal tax deductions.

If an individual or couple files a standard IRS 1040, they need to determine whether their charitable giving, tax payments and other transactions exceed the standard deduction. If so, they can file Schedule A to document their deductions. In the charitable giving section, they can claim both cash gifts and non-cash gifts to substantiate their claims. If audited, they must provide proof of the gift, usually in the form of a receipt or statement issued by the recipient. The recipient can be a charity, an educational institution, or a church.

Types of Deductible Contributions

Many people think of contributions in financial terms, but some noncash gifts have a deductible value as well. Money is just one of many giving methods.

Monetary Gifts: Gifts by cash, check, credit card, and electronic funds transfer (EFT) directly from an individual, family, or taxable estate.

Partial Cash Gift: Gifts for events such as charity dinners or for a material item with a cash value over $7.50. After the cost for the event or item is determined by the church or charity, that amount is "backed out" from the total amount given and the remainder is a charitable deduction. See page 17 for an example of how this formula works for a specific donation.

Securities: Gifts of corporate stock or bonds, state or federal bonds, or other "paper" that constitutes a piece of ownership or investment with definable value.

Real Estate: Gifts of real property with independently appraised value which are donated through sale and transfer of deed.

Each of these donation methods ultimately generates a verifiable cash amount from the donor.

There are noncash gifts as well, which can include but are not limited to:

Antiques: This category is quite broad in type of item, period of manufacture or use, and popularity of the item.

Automobiles: Some automobiles can be considered antiques; others simply are used cars that are donated for the church or an agent for the church to attempt to sell at book value.

Clothing: People donate men's, women's, and children's clothing for sale at a used clothing store or to be donated to social service organizations.

Books: People give books to help stock a church library or to sell at a book fair.

Furniture and Household Goods: People donate furniture, kitchen items, tools, and other items for resale at a rummage sale or in a church-related resale shop.

These items can have a widely variable value that is not anchored in a clear cash equivalent. A donor may think arbitrarily that an automobile is worth $5,000 or that a sofa will fetch $500 when these items actually will sell at whatever the market will bear.

Mileage. If church members use their personal vehicles for church business and track the number of miles driven, they can deduct their vehicle use at 14 cents* a mile and enter the equivalent value as a donation on Schedule A. If they want this mileage credit for taxes, there are two exceptions for deductions. First, they cannot get credit for mileage expense for which they are reimbursed by the church, and they cannot go on personal business or errands in combination with church business in order to secure the deduction. The church can verify that the mileage claimed was on behalf of specific church business on a certain date.

Providing Receipts for Donations

The IRS requires a donor receipt for cash donations at or greater than $250. It is a good idea, however, to produce donation receipts for all cash gifts—whether in cash, by check, by automatic withdrawal, or by credit card—and donations of securities valued at $10,000 or more at date of sale. Donors appreciate the paper or electronic record for tax preparation. They appreciate prompt letters for one-time gifts and a summary letter for regular weekly or monthly gifts to be issued after year-end.

For gifts of property over $500 in claimed value, the church needs to provide the donor with IRS Form 8282 within 125 days of the disposition of the property (the donor will complete IRS Form 8283). Contributions of motor vehicles, boats, and airplanes require IRS Form 1098-C to be issued by the church at the end of the tax year.

"No Goods or Services" Clause

It is important that all donor correspondence and donor receipting contain the following disclaimer:

> *No goods or services were exchanged between donor and the church for the contribution(s) received other than intangible religious benefits.*

In this way, the donor and the church can make clear that the donation was free and clear, and did not involve a transaction for the financial activity.

Receipt Generation

Donor receipts always have been generated by the church family-by-family and file-by-file. Many churches and ministries continue to generate these records manually, or by creating a standard letter and integrating donor records. A more recent development, church member software can generate such correspondence and receipt forms automatically.

Sample Letters and Forms

We have assembled sample letters and forms for providing receipts to donors for several different kinds of donations, whether in cash, for material goods, or for intangible items such as time and professional support. These forms can be adapted for almost any type of gift to support your church's ministry. You may use these letters as part of your policy and procedures handbook. You also will learn which Internal Revenue Service guidelines and forms you will need to be in compliance as a donation recipient in receipt of tangible non-monetary gifts.

These letters and forms will provide your donors with the types of document needed to substanti-

** check current rate at IRS.gov*

ate gifts. Your church administrator will be able to track a donation to a specific individual or couple and help you to automate donation documentation. You also will be able to communicate necessary information about donation limitations, and to stress that an exchange of a gift for goods and services did not take place.

We hope these forms will assist your church in developing and diversifying the stewardship of your congregation—and also ensuring accountability for giving that will help further the generosity of the members and friends of your church.*

** We've worked hard to make sure this information is accurate and legally sound. However, we remind you that this is not a substitute for legal counsel. If your church has a legal question, be sure to talk with an attorney.*

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you for your generous support of the ministry of First Community Church in 20XX through your regular gifts.

Your ongoing support has enabled the congregation to expand its ministry in discipleship and caring, and to develop a stronger outreach in service and evangelism in our community.

Attached please find a receipt that documents your regular giving during the year. You will find this document valuable as proof of your charitable giving if you deduct the amount on your IRS 1040 return. Please check the information to be sure it is reported accurately. If you gave other gifts through the year, such as memorial gifts, camp scholarships, or special missions offerings (though not support directly to missionaries), we will have sent you a separate receipt. Also, if you gave noncash gifts such as tangible goods, we will send you a separate receipt as well.

Again, we are thankful for your support of the ministry of First Community Church and your help in the extension of God's kingdom in our community.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosure: Giving Receipt

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Stewardship Gift Receipt
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

20XX Pledge _____

20XX Pledge Actual _____

(Itemized gift record for 20XX is attached.)

Any goods or services you may have received in connection with this gift were solely intangible religious benefits.

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities)

Receipt issued by:

Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you for your generous support of First Community Church through a gift of publicly traded securities.

Attached please find a receipt that documents your gift of such securities, including documentation of the value of said securities on the date of the donation. You will find this document valuable as proof of your charitable giving if you deduct the amount on your IRS 1040 return. Please check the information to be sure it is reported accurately. Our receipt matches the value assigned to the securities as verified by our securities firm.

No goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

Again, we are thankful for your generous donation of these publicly traded securities, your support of the ministry of First Community Church, and your help in the extension of God's kingdom in our community.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosure: Publicly Traded Securities Gift Receipt

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Gift Receipt for Publicly Traded Securities
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

Date Received: _____

Securities Received:

Name of Company	Number of Shares
1.	
2.	
3.	

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities)

Receipt issued by:

Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you for your generous support of First Community Church through a gift of appraised real estate.

Attached please find a receipt that documents your real estate gift. You will find this document valuable as proof of your charitable giving if you deduct the amount on your IRS 1040 return. Please check the information to be sure it is reported accurately. Our receipt matches the value assigned to the property by a certified real estate appraiser. Prior to accepting the gift, we inspected the property and received all relevant information about it.

No goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

Again, we are thankful for your generous donation of this real property, your support of the ministry of First Community Church, and your help in the extension of God's kingdom in our community.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosure: Real Estate Gift Receipt

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Gift Receipt for Real Estate
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

Date Received: _____

Plat Number/Deed Number _____

Location of Property _____

Description of Property _____

_____

_____

Certified Appraiser Valuation_____

No goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities)

Receipt issued by:

Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you for your generous support of First Community Church through a gift of an automobile.

Attached please find a receipt that documents receipt of your auto. You will find this document valuable as proof of your charitable giving if you deduct the amount on your IRS 1040 return. Please check the information to be sure it is reported accurately. We also have included IRS Form 1098-C to document receipt of your gift. You will assign the valuation of the auto for the purposes of your income tax return. We received this auto reserving all rights to dispose of it as we deem necessary.

No goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

Again, we are thankful for your generous donation of this automobile, your support of the ministry of First Community Church, and your help in the extension of God's kingdom in our community.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosures: Auto Gift Receipt
IRS Form 1098-C

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Auto Charitable Gift Receipt
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

Date Received: _____

Auto Received:
One (1) 20XX Honda Civic LX
4-door sedan, automatic transmission
64,231 miles
Vehicle ID #1BFHP53L2NH440968.

Please note: valuation of this auto is the responsibility of the donor. In addition, no goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities

Receipt issued by:
Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you for your thoughtful memorial gift honoring ___[name of deceased]___ which you gave to First Community Church on __[date of gift]__. The family of ___[name of deceased]___ is grateful to you for your love and concern, and for your support of the church in [his/her] name.

Attached please find a receipt that documents your gift. You will find this document valuable as proof of your charitable giving if you deduct the amount on your IRS 1040 return. Please check the information to be sure it is reported accurately. Also, no goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

Again, we are thankful for your generous remembrance of ___[name of deceased]___, your support of the ministry of First Community Church, and your help in the extension of God's kingdom in our community.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosure: Memorial Gift Receipt

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Memorial Gift Receipt
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

Memorial Gift in honor of _____

Memorial Gift amount: _____

No goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities

Receipt issued by:

Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you very much for your donation of $100 to support the ministry of First Community Church to purchase two entry tickets to the annual missions support dinner. We appreciate your participation in this event.

In exchange for your contribution, we provided a catered dinner for each person at a cost of $20. As a result, the total amount you may deduct for each ticket is $30.

To comply with the tax law, we are confirming that you did receive goods or services from First Community Church in connection with your attendance, and that, as noted, a part of the ticket price was a donation. On the enclosed receipt, we are documenting officially the portion of the ticket price that pays for goods and services, and what you may count as a donation

Thank you for your participation in this event. We are grateful for your generous contribution to First Community Church and for your support for the extension of God's kingdom in our area.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosure: Charitable Event Receipt

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Gift Receipt
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

Date Received: _____

Donation: _____

Gift-in-Return: _____

Donation: _____

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities

Receipt issued by:

Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you very much for your donation of $350 to support the ministry of First Community Church. We are grateful for your generous support of the church and its ministry.

In exchange for your contribution, it was our pleasure to give you a cookbook with an estimated fair market value of $60. As a result, the total amount you may deduct for your donation is $290.

To comply with the tax law, we are confirming that you did receive goods or services from First Community Church in connection with your gift, and that, as noted, a part of the contribution resulted in a special gift. On the enclosed receipt, we are documenting officially the portion of the cookbook that pays for goods and services, and what you may count as a donation.

Thank you for your participation in this event. We are grateful for your generous contribution to First Community Church and for your support for the extension of God's kingdom in our area.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosure: Gift-in-Kind Charitable Gift Receipt

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Gift-in-Kind Receipt
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

Date Received: _____

Event: _____

Cost: _____

In-Kind Amount: _____

Donation: _____

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities

Receipt issued by:

Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Date:

Name:
Address:
City/State/Zip:

Dear_____,

Thank you so very much for your donation of property to support the ministry of First Community Church in the most recent tax year. We have attached a list of donated items and the date(s) on which they were received by the church. You will need to assign the value for the items you have donated.

To comply with the tax law, we are confirming that you did not receive any goods or services from First Community Church in connection with or in exchange for your gift other than intangible religious benefits.

You must follow the IRS's reporting rules to assure the legitimacy of your charitable deduction. We have enclosed a copy of IRS Form 8283 (Noncash Charitable Contributions) and its instructions in the event this form is applicable to your gift. If your noncash gifts for the year total more than $500 by your valuation, you must include Form 8283 with your income tax return.

Again, we are grateful for your generous contribution to First Community Church and for your support for the extension of God's kingdom in our area.

Faithfully yours,

_____
Jane Smith
Treasurer

Enclosures: Tangible Property Gift Receipt
IRS Form 8283

First Community Church
123 Main Street
Anywhere, State 01234

The Rev. John Doe, Pastor
Phone: (000) 123-4567
E-mail: pastor@communitychurch.org

Tangible Property Gift Receipt
Tax Year Ending 12/31/20XX

Receipt # _____

Received From: _____

Item(s)	Date(s) Received
1. _____	_____
2. _____	_____
3. _____	_____

Please note: valuation of this property is the responsibility of the donor. In addition, no goods or services were exchanged between you and the church for the contribution(s) we received other than intangible religious benefits.

This document is necessary to qualify you for any available federal income tax deduction on your contribution. Please retain it for your records.

Receipt issued on: _____
(date of receipt of publicly traded securities

Receipt issued by:

Jane Smith, Treasurer
First Community Church
123 Main Street
Anywhere, State 01234

Thank you for your generous support of First Community Church

Resources

ONLINE RESOURCES:

ChurchLawAndTax.com provides comprehensive, searchable, and easily-accessible information on legal, tax, financial, and risk management matters affecting churches and clergy. The full archives of both *Church Law & Tax Report* and *Church Finance Today* reside on the site as does the Richard R. Hammar Legal Library.

ManagingYourChurch.com serves church leaders by providing accurate, authoritative, and timely law, tax, finance, church administration, and risk management articles and resources.

PUBLICATIONS:

Church Law & Tax Report (published bi-monthly) provides practical information to church leaders on important legal and tax developments that have a direct impact on ministry. In each issue, Editor Richard R. Hammar, J.D., LL.M., CPA, provides summaries of the most recent tax laws affecting churches and ministries, plus compelling case studies. This vital publication keeps pastors, board members, attorneys, CPAs, and church business administrators apprised of the ever-changing tax laws allowing for sound decisions.

Church Finance Today (published monthly) keeps church treasurers and bookkeepers informed with timely and practical information on issues all churches face when managing money: internal controls, compensation, reporting, and budgeting. In addition, subscribers receive *SkillBuilders*, a bi-monthly supplement offering specific steps to improve money management practices.

FOR BOOKS AND OTHER RESOURCES VISIT ChurchLawAndTaxStore.com:

Church & Clergy Tax Guide
Find comprehensive help understanding United States tax laws as they relate to pastors and churches with **Richard Hammar's** annual *Church & Clergy Tax Guide*. Tax law in general is highly complex and ever changing. Add to that the many unique rules that apply to church and clergy and you're set up for a challenging task that requires an expert's guidance.

Church Finance: The Complete Guide to Managing Ministry Resources
Overseeing the financial health of a church is no simple task. Increased regulations, IRS audits, and changing technology are a few of the challenges facing both new and experienced treasurers, bookkeepers, business administrators, and executive pastors. *Church Finance*, the new, groundbreaking comprehensive guide created by respected experts and CPAs, **Michael E. Batts** and **Richard R. Hammar**, gives you the confidence you need to manage every aspect of your job.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought. "From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations." Copyright © 2015 by Christianity Today International. All rights reserved.