

Tax Laws Affecting Charitable Donations

Compiled by the Office of the Treasurer
N. C. Conference - The United Methodist Church

The IRS has specific requirements to be met when individuals deduct charitable contributions for income tax purposes. We encourage all churches to become familiar with the following requirements. If additional detail is needed, contact your church's accounting advisors or the Conference Treasurer's Office, P. O. Box 10955, Raleigh, NC 27605. Toll-free phone: 800-849-4433 or 919-832-9560.

- ❖ No deduction is allowed for any contribution of \$250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment from the donee organization. The local church must provide written receipts to donors when a single contribution is \$250 or more.
- ❖ Separate payments or checks are treated as separate contributions and will not be aggregated for purposes of applying the \$250 threshold. There are anti-abuse rules to prevent avoidance of the substantiation requirement by writing multiple checks on the same date.
- ❖ The donor is responsible for obtaining a written acknowledgement of any donation. Generally, receipts are provided by recipient organizations following the donation or no later than January 31 of the year following the donation.
- ❖ Receipts may be prepared separately for each contribution or the church may make periodic (annual, quarterly, monthly) statements disclosing the required information for each contribution of \$250 or more made during that period. (There is a \$1,000 penalty for organizations knowingly providing a false receipt.)
- ❖ The written receipt must state the amount of the cash given or a description of the tangible property. The value of donated property is *not* included on the receipt.
- ❖ The written receipt must state whether the church provided goods or services in consideration for all or part of the cash and property contributed. Churches do not include religious services, but unrelated child care, meals, etc. would be stated on the receipt. A description and good-faith estimate of the value of any goods or services provided, or, if the provided goods and services consist solely of intangible religious benefits, a statement to that effect must be written on the receipt.
- ❖ Churches and other charities are required to inform donors what portion of gifts over \$75 are deductible when the donor receives goods or services in return.
- ❖ A written statement must inform the donor that the amount of the contribution that is deductible for Federal income tax purposes is limited to the excess of the amount of any money (and the value of any property) contributed by the donor over the value of the goods or services provided by the organization.

- ❖ The written statement must also provide the donor with a good faith estimate of the value of goods or services furnished to the donor by the church. Token, or *de minimis*, goods or services are excluded from this provision.
- ❖ If the church provided no goods and services to the donor in consideration of the contribution, the written receipt must include a statement to that effect.

Sources:

PUBLICATION 1771, CHARITABLE CONTRIBUTIONS: SUBSTANTIATION AND DISCLOSURE REQUIREMENTS. Publication 1771 provides information for organizations and donors about the substantiation and disclosure requirements for charitable contributions. To order paper copies of Publication 1771, call: 1-800-TAX-FORM (829-3676). Download at <http://www.irs.gov/pub/irs-pdf/p1771.pdf>

PUBLICATION 1828, Tax Guide for Churches and Religious Organizations. Publication 1828 is a general guide providing an overview of tax issues relating to churches. Download at <http://www.irs.gov/pub/irs-pdf/p1828.pdf>