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CHARITABLE CONTRIBUTIONS - SUBSTANTIATION AND DISCLOSURE REQUIREMENTS

This document explains the federal tax law for charities, including churches, that receive tax deductible charitable contributions and for taxpayers who make such contributions.

The following are recordkeeping and substantiation rules which apply to donors of charitable contributions:

- A donor must have a bank record or written communication from a charity for any monetary contribution before the donor can claim a charitable contribution deduction on his/her federal income tax return.
- A donor is responsible for obtaining a written acknowledgment from a charity *for any single contribution of \$250 or more* before the donor can claim a charitable contribution.
- A charitable organization is required to provide a written disclosure to a donor who receives goods or services from the charity in exchange for a single payment in excess of \$75.

RECORDKEEPING RULES

A donor cannot claim a tax deduction for any contribution of cash, a check or other monetary gift unless the donor maintains a record of the contribution in the form of either a bank record (such as a cancelled check) or a written communication from the charity (such as a receipt or letter) showing the name of the charity, the date of the contribution, and the amount of the contribution.

WRITTEN ACKNOWLEDGMENT FOR \$250 OR MORE

A donor cannot claim a tax deduction *for any single contribution of \$250 or more* unless the donor obtains a contemporaneous, written acknowledgment of the contribution from the recipient organization. An organization that does not acknowledge a contribution incurs no penalty; but without a written acknowledgment, the donor cannot claim the tax deduction. Although it is a donor's responsibility to obtain a written acknowledgment, an organization can assist a donor by providing a timely, written statement containing the following information:

1. name of organization
2. amount of cash contribution
3. description (but not the value) of non-cash contribution
4. statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
6. statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of insubstantial goods and services (Note: Intangible religious benefits are considered to be insubstantial goods and services)

It is not necessary to include either the donor's social security number or tax identification number on the acknowledgment.

A separate acknowledgment may be provided for each single contribution of \$250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250 or more. There are no IRS forms for the acknowledgment. Letters, postcards, or computer generated forms with the above information are acceptable. An organization can provide either a paper copy of the acknowledgment to the donor, or can provide the acknowledgment electronically, such as via an e-mail addressed to the donor. A donor should not attach the acknowledgment to his or her individual income tax return, but must retain it to substantiate the contribution. Separate contributions of less than \$250 will not be aggregated. For the written acknowledgment to be considered contemporaneous with the contribution, a donor must receive the acknowledgment by the earlier of: the date on which the donor actually files his or her individual federal income tax return for the year of the contribution; or the due date (including extensions) of the return.

UNREIMBURSED EXPENSES

If a donor makes a single contribution of \$250 or more in the form of unreimbursed expenses, e.g., out-of-pocket transportation expenses incurred in order to perform donated services for an organization, the donor must obtain a written acknowledgment from the organization containing:

- a description of the services provided by the donor
- a statement of whether or not the organization provided goods or services in return for the contribution
- a description and good faith estimate of the value of the goods or services, if any, that an organization provided in return for the contribution
- a statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of insubstantial goods and services, if that was the case

In addition, a donor must maintain adequate records of the unreimbursed expenses. See IRS Publication 526, *Charitable*

Contributions, for a description of records that will substantiate a donor's contribution deduction. See also IRS Publication 1771, *Charitable Contributions - Substantiation and Disclosure Requirements*.

GOODS AND SERVICES

The acknowledgment must describe goods or services an organization provides in exchange for a single contribution of \$250 or more. It must also provide a good faith estimate of the value of such goods or services because a donor must generally reduce the amount of the contribution deduction by the fair market value of the goods and services provided by the organization. Goods or services include cash, property, services, benefits or privileges.

However, there is an *intangible religious benefits exception*. If a religious organization provides only "intangible religious benefits" to a contributor of \$250 or more, the acknowledgment does not need to describe or value those benefits. It can simply state that "no goods or services were provided in exchange for your contribution."

EXAMPLES OF WRITTEN ACKNOWLEDGMENTS

- "Thank you for your cash contribution of \$300 that (organization's name) received on (date received). No goods or services were provided in exchange for your contribution."
- "Thank you for your contribution of a used oak baby crib and matching dresser that (organization's name) received on (date received). No goods or services were provided in exchange for your contribution."

WRITTEN DISCLOSURE REQUIREMENT

A donor may only take a contribution deduction to the extent that his/her contribution exceeds the fair market value of the goods or services, if any, the donor receives in return for the contribution; therefore, donors need to know the value of the goods or services. An organization must provide a written disclosure statement to a donor who makes a payment exceeding \$75 partly as a contribution and partly for goods and services provided by the organization. A required written disclosure statement must:

- inform a donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of money (and the fair market value of property other than money) contributed by the donor over the value of goods or services provided by the organization
- provide a donor with a good faith estimate of the fair market value of the goods or services.

A written disclosure statement is not required where the goods or services given to the donor meet the “intangible religious benefits exception” described earlier.

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IRS forms and publications can be accessed [online](http://www.irs.gov) at www.irs.gov

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