

Donor Acknowledgements

by Becky DeVee, CPA

AS WE COME TO THE CLOSE of another tax reporting year, it's important to review donor-reporting requirements. In order for a charitable contribution to be deductible, the amount has to be properly *substantiated*. Donors are required to maintain proper records for cash contributions, regardless of the amount. Churches are required to provide written acknowledgements for single donations of \$250 or more.

Churches and other exempt organizations play a critical role in providing documentation to the donors. Consider the following requirements:

A. Individual **quid pro quo cash contributions** (consisting of a payment for a contribution and a payment for goods/services) of more than \$75 require a written acknowledgment to the donor. The written acknowledgment should include

1. Name of the church
2. Amount of the cash received
3. Value of the goods/services that were provided to the donor
4. Amount of the contribution, which is the cash received less the value of the goods/services exchanged.

If the goods or services exchanged represent *de minimis* items, the *quid pro quo* rule does not apply. *De minimis* is defined as

1. items such as calendars or mugs costing less than \$8.60 or
2. goods or services that do not exceed the lesser of \$86 or 2 percent of the contribution.

B. For **non-cash property** contributions that are *less than \$250*, the church should provide a written acknowledgment that includes

1. Name of the church
2. Date of the contribution
3. Description and location of the property.

C. For **individual cash contributions of \$250 or more** churches are required to provide the following written acknowledgment to the donor

1. Name of the church
2. Amount of the cash contribution
3. Statement that no goods or services were provided by the church in return for the contribution, if that was the case
4. Statement that goods or services, if any, that a church provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case.

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

Author

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D. For **individual contributions of non-cash property** valued at *\$250 or more*, churches are required to provide a written acknowledgment to the donor that includes

1. The name of the church
2. The date of the contribution
3. A description and location of the property
4. A statement of whether the church provided any goods or services as a result of the contribution, and
5. A description and good faith estimate of the value of goods or services.

If the only benefit provided by the church was an intangible religious benefit (i.e., attending the service), the acknowledgment must say so and does not need to describe or re-estimate the value of the benefit.

E. For **non-cash contributions that exceed \$5,000** (excluding publicly traded stocks), churches are required to complete and sign Part IV of Section B of the donor's *Form 8283* appraisal sum-

mary. If the church sells, exchanges or disposes of the property within three years of the donation, churches are required to file *Form 8282* with the IRS within 125 days of the date of the disposal. A copy of this form should be remitted to the donor.

E. For **churches that receive a car, boat, or airplane**, *IRS Form 1098-C* should be used to report information to the IRS and to the donor. *Form 1098-C* is a 3-part form—Copy A is filed with the IRS if the contribution exceeds \$500; Copy B is filed with the donor if the contribution is more than \$500, and Copy C is filed with the donor if the contribution is less than \$500. Include the following information:

1. The church's name, address and telephone number in the top left hand box
2. The donor's name, address, social security number, date of contribution, make/model/year of the vehicle and vin number
3. If the Church sells the vehicle, this information is reported in boxes 4a, b, and c. (This value typically becomes the value of the charitable deduction).

4. If the vehicle is not sold, the church should report how the vehicle will be used and the duration of the use in box 5c. If the vehicle will be transferred to a needy individual, furthering the exempt purpose of the church, the church should check box 5b.
5. If the church provides any goods or services in exchange for the vehicle, certain information is documented in boxes 6a, b, and c.
6. Box 7 is required to be checked if the value of the property is less than \$500. If the value is greater than \$500, do not check box 7.

This form should be mailed to the donor within 30 days of the contribution or 30 days after the date of sale.

For each contribution greater than \$500, churches are required to file copy A of this form along with *Form 1096* (a transmittal form) with the IRS by February 28, 2008, or if the church files electronically, the due date is March 31, 2008. Churches can utilize copies B and C from the IRS Web site, however copy A should be obtained either by phone at 1-800-829-3676 or by ordering online. Copy A on the Web site should not be filed with the IRS.

So, as you can see ... as the value of the contribution increases, so do the written requirements and filing procedures.

It is important for donors to remember the requirements for deducting charitable contributions and it is important that exempt organizations, including churches, provide proper acknowledgements. If you have any questions regarding deductibility or reporting requirements, contact Becky De Vee or your local tax professional. 

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Forms are available from the IRS on their Web site, www.irs.gov/formspubs/index.html.



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