



Charitable Contributions

AND DESIGNATED CONTRIBUTION RULES

2021



Six requirements for charitable contributions

1. a gift of 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



Six requirements for charitable contributions

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



#1 Gift of Cash or Property

1. **Cash gift** – cash, checks, bank transactions - recorded on Contribution Statement
2. **Property** – any non-cash. **Recorded separately from Cash Gifts.** Do not give gifts of property a value – Donor responsibility.
3. Time and Labor are not deductible
4. The use of something is not deductible



#2 Deductible in Year Given

1. Physically Given to church by 12/31
2. Postmarked December 31 even if actually delivered in the new year.
3. Unconditionally delivered. If dated 12/ 31 and postmarked 12/31, but sticky note attached says “Please do not deposit until January 5” – then it is a 2017 contribution
4. Unconditionally delivered
 - a) Bank Transaction – credit card, ACH
 - b) Stock transaction transferred by December 31



#3 & 4 Church Control

1. Unconditional. Any designated gift is to a pre-approved fund
2. Cannot designate an individual.
3. Cannot be to a church staff member unless church establishes the love offering and controls the love offering. Church decides who gets what and the maximum.
4. Church policies set conditions for designated offerings



Contributions Not Deductible

1. **Contribution designated to a specific individual**
2. Contribution to a non-qualified organization
3. Part of contribution from which you receive personal benefit
4. Value of time or services
5. Contributions of the use of property

Page 51



Substantiation

- **Contribution statements must be received before the return is filed by taxpayer**
- **Contemporaneous**
- “Recipient organizations typically send written acknowledgments to donors no later than January 31 of the year following the donation.”
- A recommendation, not a legal requirement.

Page 54

IRS Publication 1771, page 4



Substantiation - Requirements

1. name of organization
2. Date (each contribution itemized)
3. amount of cash contribution
4. description (but not the value) of non-cash contribution
5. statement that no goods or services were provided by the organization in return for the contribution, if that was the case

Page 54

IRS Publication 1771, page 3



Substantiation - Requirements

6. description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
 - ▶ Alternate Wording: statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case



Substantiation

- ▶ **Less than \$250 the IRS will accept:**
 - A canceled check.
 - A receipt or letter from church. It must have the church's name, the amount and the date
- ▶ **\$250 or more the IRS will only accept a receipt from church**
- ▶ **See page 54**



Substantiation - wording

- ▶ **Must state “No goods or services were provided to the donor in exchange for contribution.”**
 - ▶ **or “Only intangible religious benefits were provided to the donor in exchange for contribution.”**
- Financial Issues, page 54
 - IRS Publication 1771, page 3



Substantiation - wording

- **Examples of Written Acknowledgments**
- “Thank you for your cash contribution of \$300 that (organization’s name) received on December 12, 2016. No goods or services were provided in exchange for your contribution.”

See pages 58-60

IRS Publication 1771, page 9



Substantiation - Form

- 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 an organization can provide the acknowledgment **electronically, such as via an e-mail addressed to the donor.**



Substantiation – Non-cash

1. Includes crayons from Wal-Mart, jewelry, publicly traded stock, cars, real property, etc.
2. The church should not determine the value; that is the donor's responsibility
3. Do not include on the contribution statement (unless your software has a section for non-cash contributions)



Goods and Services

1. Payment for camps and retreats are not a charitable donation, because we receive value in exchange for the money. Camps and retreats are about us.
2. Mission Trips are a deductible event – as long as “no significant element of pleasure or vacation.” Mission trips are not for us or about us, but are about fulfilling the mission of our church



Goods and Services

- ▶ Examples of fund raisers in which goods or services are received in exchange
 1. Car Wash
 2. Youth Spaghetti Dinner
 3. Bake Sale
 4. Golf Tournament



Quid Pro Quo – this for that

- **No receipt needed unless donation is more than \$75**
- **Must subtract the fair market value of the item even if it cost the church nothing. Example: Church receives donated food and labor for a fund raising dinner. Members “contribute” \$10. \$10 minus \$10 value = \$0 donation**
- **\$100 plate - \$10 value = \$90 contribution**



Property Donation Checklist

- Property Gifts checklist, page 58
- Gifts of Automobiles, page 59
- Gifts of Publicly traded stock, page 60
- Notice the donor responsibilities (checklists have both the donor responsibilities and the church responsibilities)
- Stocks can be an excellent way to give. Cars can be good or bad depending on what the church does.



Designated Contribution Rules

1. All designated funds must be approved in advance of contribution.
 2. All designated funds are under the control of the church
 3. Have an exit strategy for some funds. Leftover funds from a project revert back to the general fund (suggestion)
 4. If a designation is not an approved fund, the church will not accept the gift.
- ▶ See page 53



Designated Contribution Rules

5. A designated offering may not be for a specific person (except mission trip). A person may suggest a need, but must be willing to allow the benevolence committee or other appropriate committee to decide how to best use the money.
 6. A mission trip is a tax deductible event as long as there is no significant amount of personal pleasure or vacation. Gifts given by persons going or even by family members are deductible.
 7. Gifts given toward a mission trip will benefit others going or revert to the general fund if the participant does not go.
- ▶ See page 53



Mission Trip Contributions

1. Adult paying for their own mission trip is tax deductible (non-refundable).
2. Church members not going may donate to the mission trip fund but cannot designate a particular person and that donation is tax deductible.
3. “Adult paying for their own teenager to go is not tax deductible unless the funds are made in “trust” or in a legally enforceable arrangement for the benefit of the church.”
 - ▶ This means that we need to inform parents at the planning stage that they are donating to the church unconditionally and that they cannot get their money back. This should be in writing.
 - ▶ See page 71



Designated Contribution Rules

8. Designated funds should be broad rather than narrow in focus. Building Fund rather than Family Life Center Fund; Music fund rather than choir robe fund, etc. (suggestion)
9. Staff love offerings are under church control.
10. Discuss a designated offering to a budget line. Does the church allow that? Does it increase the budget line? Or is it simply the first money spent and assuring that there are dollars available for that budget line if cash flow is tight? Does it carry over to next year? (Note: most churches allow this practice, but it can be a dangerous one.)

▶ See page 53



Repurposing Designated Money

- ▶ Repurposing designated money requires 2 steps
 1. A vote of the church
 2. Obtaining permission from the donors
 - You cannot borrow the funds either
 - “If you repurpose the funds without all the donor’s permission or the court’s permission, then in some states it is called fraud and in other states its called theft. The penalties are assessed against the individuals who wrongfully repurposed those funds.”
– Frank Sommerville



Repurposing Designated Money

- ▶ Repurposing designated money that originated from church action is not a problem
- ▶ For example:
- ▶ The church contributes \$1000 each month to a contingency fund or emergency fund from the general fund.
- ▶ Those amounts could be changed or repurposed.