

Handling Charitable Contributions

The end of the year can be a real headache for the church treasurer. Among the many duties of the treasurer is the reporting of charitable contributions received during the year. It is important for churches to help their contributors out by providing them with a document breaking down their contributions throughout the year.

For individuals to be able to claim charitable contributions, the IRS has tightened substantiation requirements. In IRS Publication 1828, they state:

A donor cannot claim a tax deduction for any contribution of cash, a check or other monetary gift made on or after January 1, 2007 unless the donor maintains a record of 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 a letter) showing the name of the charity, the date of the contribution, and the amount of the contribution.

When the church provides their contributors with a year-end statement or quarterly statements throughout the year, they help their contributors fulfill the substantiation requirement.

Some contributors may give amounts of \$250 or greater at anyone time throughout the year. This may happen with contributors that only give once a month. These gifts require special attention from the church treasurer. Even though the IRS does not penalize the church if they do not provide the contributor with a special statement acknowledging a gift of \$250 or more, the church should provide the contributor with a statement acknowledging the gift because without such a statement the contributor can not claim the contribution. The IRS, in Publication 1828, states that the acknowledgment must include:

- name of the church or religious organization,
- date of the contribution,
- amount of any cash contribution, and
- description (but not the value) of non-cash contributions.

The IRS also requires that the acknowledgment contain one of the following:

- statement that no goods or services were provided by the church or religious organization in return for the contribution,

- statement that goods or services that a church or religious organization provided in return for the contribution consisted entirely of intangible religious benefits, or
- description of services other than intangible religious benefits that the church or religious organization provided in return for the contribution.

The treasurer can choose whether to provide a separate letter for each contribution of \$250 or more or he/she may provide one letter acknowledging the date of each contribution.

The end of the year can also be a trying time for the treasurer in determining which calendar year a contribution should be accounted to. Below are standards to follow when making this determination.

- If a check is dated December 2009 but not placed into the offering until January 2010, the check is a 2010 contribution.
- If a check is written and placed in the offering in January 2010 but is backdated to December 2009, the check is a 2010 contribution.
- If a check is written and placed in the offering in December 2009 but is postdated to January 2010, the check is a 2010 contribution.
- If a check is written in, mailed in, and postmarked in December 2009 but not received by the church until January 2010, the check is a 2009 contribution.
- If a check is written in and mailed in December 2009 but not postmarked until January 2010, the check is a 2010 contribution.

For additional information regarding charitable contributions, the following IRS Publications can be downloaded from www.irs.gov :

- Publication 1828 – Tax Guide for Churches and Religious Organizations
- Publication 526 – Charitable Contributions
- Publication 561 – Determining the Value of Donated Property
- Publication 1771 – Charitable Contributions: Substantiation and Disclosure
- Publication 4221-PC – Compliance Guide for 501(c)(3) Public Charities