Charitable Donations

From www.irs.gov - *Contributions to Individuals*

You cannot deduct contributions to specific individuals, including the following.

- *Contributions to individuals who are needy or worthy. This includes contributions to a qualified organization if you indicate that your contribution is for a specific person. But you can deduct a contribution that you give to a qualified organization that in turn helps needy or worthy individuals if you do not indicate that your contribution is for a specific person.*

  Example. You can deduct contributions for flood relief, hurricane relief, or other disaster relief to a qualified organization. However, you cannot deduct contributions earmarked for relief of a particular individual or family.

- *Payments to a member of the clergy that can be spent as he or she wishes, such as for personal expenses.*
- *Expenses you paid for another person who provided services to a qualified organization.*

  Example. Your son does missionary work. You pay his expenses. You cannot claim a deduction for your son's unreimbursed expenses related to his contribution of services. (See note regarding Short Term Mission Expenses)

Benevolent giving: If a member wishes to give a gift directly in aid of an individual or family, that gift may be a good and benevolent act, but it is not tax deductible.

If the church sets up a fund in the name of an individual or family, donations to that fund, even though made out to the church, are not tax deductible.

However, if the church has an established benevolence fund, with clear guidelines about how the funds will be used and that gives the church the authority to decide how to distribute the funds, gifts to the benevolence fund are tax deductible.

Gifts for Clergy: Donations made by members to be given to the clergyperson as a gift are not tax-deductible. (And, note – are considered taxable income to the clergyperson.)

Short Term Missions: Expenses a member pays for his/her expenses while on a short-term mission, or contributions to the church for short term mission expenses for him/herself, family member or other participant may be tax deductible provided the church retains control over the accounting and distribution of the funds and provided that the trip is primarily for charitable purposes, the participant spends most of his/her time on charitable duties and there is no significant element of personal pleasure, recreation or vacation in the travel. (Church Treasurer Alert – R Hammar – Vol 9, Number 3, March 2001)

From www.irs.gov - Topic 506 - Charitable Contributions

If your contribution entitles you to merchandise, goods, or services, including admission to a charity ball, banquet, theatrical performance, or sporting event, you can deduct only the amount that exceeds the fair market value of the benefit received.

For a contribution of cash, check, or other monetary gift (regardless of amount), you must maintain as a record of the contribution a bank record or a written communication from the qualified organization containing the name of the organization, the date of the contribution, and the amount of the contribution. In addition to deducting your cash contributions, you generally can deduct the fair market value of any other property you donate to qualified organizations. See Publication 561, Determining the Value of Donated Property*.*

For any contribution of $250 or more (including contributions of cash or property), you must obtain and keep in your records a contemporaneous written acknowledgment from the qualified organization indicating the amount of the cash and a description of any property contributed. The acknowledgment must say whether the organization provided any goods or services in exchange for the gift and, if so, must provide a description and a good faith estimate of the value of those goods or services. One document from the qualified organization may satisfy both the written communication requirement for monetary gifts and the contemporaneous written acknowledgment requirement for all contributions of $250 or more.

Substantiation and Documentation: Donors wishing to use their contributions to the church as tax-deductions must have written documentation for all gifts – bank records and/or written confirmation from the church. The church must give a contemporaneous written confirmation of any individual gift of $250 or more. Gifts of less than $250 can be combined in a quarterly/annual statement. The acknowledgement of all gifts must include the name of the church, the date and amount of the contribution and a statement saying whether the church provided any goods or services in exchange for the gift (and, if it did provide a good or service, an estimate of the value of such.)

The conference uses the following statement in its acknowledgements:

Pursuant to the Internal Revenue code requirements for substantiation of charitable contributions, the Oregon-Idaho Annual Conference of The United Methodist Church provided no goods or services to you in return for your contribution.

See next page for important information.

Church Causes Donors to Lose IRS Charitable Deduction: Are you putting your donors at risk?

On May 17, 2012, in David & Veronda Durden v. IRS, the courts ruled that the Durden's $22,517 donation to their church could not be counted as a charitable tax deduction.

On their 2007 joint income tax return, the Durdens claimed a deduction of $22,517 for charitable contributions of cash and checks to their church.

The IRS denied the Durdens' deduction because they did not have the proper acknowledgement of their contributions from the church. The Durdens sued in Tax Court arguing, among other things, that they "substantially complied" with the statutory acknowledgment requirements. They had statements acknowledging the gifts from their church, along with canceled checks, and produced these as evidence. The court disagreed with the Durdens and did not allow their deduction.

The courts said that the acknowledgement did not contain the wording, "no goods or services were received in exchange for this gift."

The church attempted to issue new acknowledgements to the Durdens, however these were not allowed. The courts referred to the tax code which states that the acknowledgements must be issued on or before the filing due date, or the date that the filing is made.

Is your church in compliance?
In order to protect committed church members from a fate similar to the Durdens, church acknowledgements must contain the amount and date of the gift, along with one of the following phrases:

> "No goods or services were provided in exchange for your contributions," or
>
> "No goods or services were provided in exchange for your contributions other than intangible religious benefits."

Information about goods and services received from the church is important because, generally, a donor must reduce the amount of the contribution deduction by the fair market value of the goods and services provided by the church. This provision was added to the tax code in 1993 to curb some abuses. If goods or services are provided in exchange for the contribution, then the church is responsible for providing a good faith estimate of the value of such goods or services.

For gifts other than cash the church is required to provide a description, but not the value of the contribution, e.g. 125 shares of Apple stock.

As we approach the end of the year, and you prepare to issue charitable contribution statements to your donors in early January, please follow the law so you don't put your donors at risk.

For more information, refer to IRS Publication 1771, available on the IRS website at www.irs.gov.

From the Office of Stewardship and Finance, Oregon-Idaho Annual Conference of The United Methodist Church. Contact Bill Mullette-Bauer at bill@umoi.org.