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Challenging Charitable Contributions

Joseph R. Irvine

Sean P. Scally

Mike Sorrells

Note: A portion of this paper was converted from a scanned image. The conversion has been reviewed for accuracy; however, minor spelling or text-conversion errors may still be present.



Tax Exempt and Government Entities
EXEMPT ORGANIZATIONS

Charitable Contributions

Substantiation and
Disclosure Requirements



Contents

Recordkeeping Rules.....	2
Written Acknowledgment.....	2
Unreimbursed Expenses	5
Written Disclosure	6
Further Information	7

Are you an organization that receives contributions of \$250 or more?

or

Are you an organization that provides goods or services to donors who make contributions of more than \$75?

or

Are you a donor who makes contributions to a charity?

IRS Publication 1771, *Charitable Contributions—Substantiation and Disclosure Requirements*, explains the federal tax law for organizations, such as charities and churches, that receive tax-deductible charitable contributions and for taxpayers who make contributions.

The IRS imposes recordkeeping and substantiation rules on donors of charitable contributions and disclosure rules on charities that receive certain quid pro quo contributions.

- Donors must have a **bank record** or **written communication** from a charity for any monetary contribution before the donors can claim a charitable contribution on their federal income tax returns.
- Donors are responsible for obtaining a **written acknowledgment** from a charity for any single contribution of \$250 or more before the donors can claim a charitable contribution on their federal income tax returns.
- Charitable organizations are required to provide a **written disclosure** to a donor who receives goods or services in exchange for a single payment in excess of \$75.

More on recordkeeping, written acknowledgments and written disclosures is addressed in this publication. The rules in this publication do not apply to a donated motor vehicle, boat or airplane if the claimed value exceeds \$500. For information on vehicle donations, see IRS [Publication 4302](#), *A Charity's Guide to Vehicle Donation*, and IRS [Publication 4303](#), *A Donor's Guide to Vehicle Donation*.

For information about organizations that are qualified to receive charitable contributions, see IRS [Publication 526](#), *Charitable Contributions*. Publication 526 also describes contributions you can (and cannot) deduct, and it explains deduction limits. For assistance about valuing donated property, see IRS [Publication 561](#), *Determining the Value of Donated Property*.

Recordkeeping Rules

Requirement

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.

Payroll Deductions

For charitable contributions made by payroll deduction, the donor may use a pledge card prepared by or at the direction of the charitable organization, along with one of the following documents:

- a pay stub,
- Form W-2, Wage and Tax Statement, or
- other employer-furnished document that shows the amount withheld and paid to a charitable organization.

If a donor makes **a single contribution of \$250 or more by payroll deduction**, the pledge card or other document from the organization must also include a statement to the effect that the organization does not provide goods or services in whole or partial consideration for any contributions made to the organization by payroll deduction.

Each payroll deduction amount of \$250 or more is treated as a separate contribution for purposes of the \$250 threshold requirement for written acknowledgments.

2

Written Acknowledgment

Requirement

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's a donor's responsibility to obtain a written acknowledgment, an organization can assist a donor by providing a timely, written statement containing:

1. the name of organization
2. the amount of cash contribution
3. a description (but not the value) of non-cash contribution
4. a statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. a description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution

Also available as part of the eCourse

[Issues and Pitfalls: Challenging Charitable Contributions](#)

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"Challenging Charitable Contributions"