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IRS REPORTING

\$250 DONATION RECEIPT

It is the opinion of the Diocesan Attorney, as well as the attorneys for the United States Catholic Conference, that the Substantiation and Disclosure Provisions of the Omnibus Revenue Reconciliation Act of 1993 (the Act) requires a written acknowledgement of any contribution in excess of \$250.00.

The law has always been and will continue to be, that in order to claim a deduction under §170, there must be a voluntary transfer of money or property without receiving or expecting to receive any return benefit.

The Act places an additional burden on the taxpayer who wants to claim a deduction of over \$250.00 to a charitable organization. They must have a written acknowledgement which must contain the appropriate wording. This only applies to single transactions of \$250.00 or more. IRS anti-abuse regulations will more than likely give guidelines for whether a gift should be considered as a whole or separate payment of under \$250.00 in the event someone would attempt to circumvent the regulation by splitting a donation into separate checks.

Tuition and similar payments would not qualify for this deduction since a tangible benefit, i.e., the education of a child, even though that education includes some "intangible religious benefit".

An acknowledgement is "contemporaneous" if the taxpayer receives it on or before:

- a. the date on which the taxpayer files a return for the year in which the contribution was made; or,
- b. The due date (including extensions) for filing the return, whichever is earlier.

This means the taxpayer cannot come back two years after the gift was made and request a statement because he is now under audit. Under The Act, the taxpayer bears the burden of getting the acknowledgement. The church can give the acknowledgement at the time of the gift, at the end of the year or when requested by the taxpayer.

Although the "contemporaneous" requirement may be satisfied in a number of ways, the Diocese recommends a separate letter to be issued within a short time of the contribution. There is a report program available for users of the Parish Data System (PDS) Census program. This program (RECPT250) produced the following letter:

SAMPLE LETTER:

November 30, 2024

Mr. & Mrs. John Johnstone
4124 Cannery Road
Lebanon, TN 37087

Dear Mr. & Mrs. Johnstone:

We would like to send you a special thanks for your generous contribution of \$325.00 to (name of parish) on November 27, 2024.

(Name of parish) did not provide any goods or services in whole or partial consideration for your contribution or provided only intangible religious benefits.

This letter provides your contemporaneous receipt since we believe your cancelled check will not be recognized by the Internal Revenue Service for individual contributions in excess of \$250.00. This amount will be included in your end-of-year letter.

May the Good Lord bless you and your family.

Sincerely,

Pastor's signature

NON-MONETARY DONATION

Donors who contribute in-kind (non-cash) gifts valued at \$250 or more will need substantiation in order to meet the new requirements of the Act. It is important that the letter describe the gift but not value it. It is the donor's responsibility to value the gift.

The written acknowledgement for these gifts, if they are valued in excess of \$250, must contain the following information:

1. The name of the donor.
2. The date of the gift.
3. A description of the gift.
4. A statement as to whether or not goods or services were provided in consideration of the gift.
5. A description and the fair market value of the goods or services provided (in 4), if any, in consideration of the gift, or if applicable, b) a statement that only intangible religious benefits were provided in consideration of the gift.

FUNDRAISING DISCLOSURES

Any fundraising activity such as a dinner, dance or auction involving a gift of more than \$75 must provide a quid pro quo disclosure statement which includes a good faith estimate of the value of the goods or services provided and informs the donor that the charitable deduction amount for the gift is limited to the excess of the value of the gift less the value of the goods or services provided. The quid pro quo disclosure may be in any reasonable manner likely to come to the attention of the donor, e.g., on tickets, solicitation materials, event programs, receipt, etc. If an organization fails to provide this disclosure, they are subject to a penalty of \$10 per contribution. Therefore, if 500 tickets are sold and the disclosure is not printed on the tickets, the organization is subject to a \$5,000 fine.