

Florida Conference Treasurer's Seminar

Church Legal and Compliance Briefs:
Contributions and Receipts



Donation Substantiation and Disclosure Rqmts:

Hopefully, we all know:

- Donors must have a written record of a contribution to be able to claim charitable deductions from taxes; and
- Donors rely on the Church and Treasurer to provide these records in the form of receipts for their tithe and offerings.

But did you also know:

- The written record supporting a deductible contribution must indicate whether the donor received any goods or services in return for the contribution; and
- If any goods or services are received, the record should disclose this and the Church *must* disclose it in writing for any payment that exceeds \$75 (subject to the intangible religious benefits exception)?



Donation Substantiation and Disclosure Rqmts:

Sample Disclosure Statements (from IRS Pub.1771):

- “Thank you for your cash contribution of \$300 that (organization’s name) received on December 12, 2015. No goods or services were provided in exchange for your contribution.”
- “Thank you for your cash contribution of \$350 that (organization’s name) received on May 6, 2015. In exchange for your contribution, we gave you a cookbook with an estimated fair market value of \$60.”
- “Thank you for your contribution of a used oak baby crib and matching dresser that (organization’s name) received on March 15, 2015. No goods or services were provided in exchange for your contribution.”
- “Thank you for your contribution of \$450 to (organization’s name) made in the name of its Special Relief Fund program. No goods or services were provided in exchange for your contribution.”



Why These Requirements for Nonprofits?

To Avoid “Private Benefit or Inurement” and “Self Dealing”

- Private Benefit occurs when an entity or individual receives a benefit from a public charity or non-profit organization.
- Private Inurement occurs when the beneficiary is an insider.
- Self Dealing occurs when the organization deals transactionally with a disqualified individual (most likely in our cases, church members, donors and their families).

The problems arise when such dealings are not both *conducted and documented* at fair market value!



So, You Might Ask, What's the Harm?

There was a time when:

- The only “sanction” the IRS had available was to strip an entity’s non-profit exemption status.
- This created many difficulties for unintentional transgressors.
- Remember, ours is not just the local church’s status, it is the denomination’s status!

Now, Intermediate Sanctions:

- A tax on the disqualified person
 - 25% of the excess benefit; and if the transaction is not corrected before the IRS gets involved, an additional tax equal to 200% of the excess benefit on some disqualified individuals; and
- A tax of 10% (not to exceed \$20,000) of the excess benefit on anyone in the organization that participated in the transaction. (Pastor? Treasurer? Board Member?)

