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

Please note receipts must have the wording

*No Goods or Services have been Provided by this Charitable Organization in consideration for these contributions.*

**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.
**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
6. a statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits (described later in this publication), if that was the case

It isn’t necessary to include either the donor’s Social Security number or tax identification number on the acknowledgment.

A separate acknowledgment may be provided for each single contribution of $250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of $250 or more. There are no IRS forms for the acknowledgment. Letters, postcards or computer-generated forms with the above information are acceptable. An organization can provide either a paper copy of the acknowledgment to the donor, or an organization can provide the acknowledgment electronically, such as via an email addressed to the donor. A donor shouldn’t attach the acknowledgment to his or her individual income tax return, but must retain it to substantiate the contribution. Separate contributions of less than $250 will not be aggregated. An example of this could be weekly offerings to a donor’s church of less than $250 even though the donor’s annual total contributions are $250 or more.

**Contemporaneous**

Recipient organizations typically send written acknowledgments to donors no later than January 31 of the year following the donation. For the written acknowledgment to be considered contemporaneous with the contribution, a donor must receive the acknowledgment by the earlier of:
the date on which the donor actually files his or her individual federal income tax return for
the year of the contribution; or
the due date (including extensions) of the return.

**Goods and Services**

The acknowledgment must describe goods or services an organization provides in exchange for a
contribution of $250 or more. It must also provide a good faith estimate of the value of the goods or
services because a donor must generally reduce the amount of the contribution deduction by the fair
market value of the goods and services provided by the organization. Goods or services include cash,
property, services, benefits or privileges. However, there are important exceptions:

**Token Exception** — Insubstantial goods or services a charitable organization provides in exchange for
contributions do not have to be described in the acknowledgment.

Good and services are considered to be insubstantial if the payment occurs in the context of a fund-raising
campaign in which a charitable organization informs the donor of the amount of the contribution that is a
deductible contribution, and:

- the fair market value of the benefits received does not exceed the lesser of 2 percent of
  the payment or $106,* or
- the payment is at least $53,* the only items provided bear the organization’s name or
  logo (for example, calendars, mug or posters), and the cost of these items is within the
  limit for “low-cost articles,” which is $10.60.*

*The dollar amounts are for 2016. Guideline amounts are adjusted for inflation. See IRS.gov
for annual inflation adjustment information.

**Membership Benefits Exception** — An annual membership benefit is also considered to be insubstantial if
it is provided in exchange for an annual payment of $75 or less and consists of annual recurring rights or
privileges, such as:

- free or discounted admissions to the charitable organization’s facilities or events
- discounts on purchases from the organization’s gift shop
- free or discounted parking
- free or discounted admission to member-only events sponsored by an organization,
  where a per-person cost (not including overhead) is within the “low-cost articles” limits

**Example of a membership benefits exception:** If a charitable organization offers a $75 annual
membership that allows free admission to all of its weekly events, plus a $20 poster, a written
acknowledgment need only mention the $20 value of the poster, since the free admission would be
considered insubstantial and, therefore, would be disregarded.

**Intangible Religious Benefits Exception** — If a religious organization provides only “intangible
religious benefits” to a contributor, the acknowledgment does not need to describe or value those
benefits. It can simply state that the organization provided intangible religious benefits to the
contributor.

What are “intangible religious benefits”? Generally, they are benefits provided by a tax-
exempt organization
Unreimbursed Expenses

If a donor makes a single contribution of $250 or more in the form of unreimbursed expenses, for example, out-of-pocket transportation expenses incurred to perform donated services for an organization, then the donor must obtain a written acknowledgment from the organization containing a:

- description of the services provided by the donor
- statement of whether the organization provided goods or services in return for the contribution
- description and good faith estimate of the value of goods or services, if any, that the organization provided in return for the contribution
- statement that goods or services, if any, that the organization provided in return for the contribution consisted entirely of intangible religious benefits (described earlier in this publication), if that was the case

In addition, a donor must maintain adequate records of the unreimbursed expenses. See Publication 526, Charitable Contributions, for a description of records that will substantiate a donor’s contribution deductions.

Written Disclosure Requirement

Donors may only take a contribution deduction to the extent that their contributions exceed the fair market value of the goods or services the donors receive in return for the contributions; therefore, donors need to know the value of the goods or services. An organization must provide a written disclosure statement to a donor who makes a payment exceeding $75 partly as a contribution and partly for goods and services provided by the organization. A contribution made by a donor in exchange for goods or services is known as a quid pro quo contribution.

A required written disclosure statement must:

- inform a donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of money (and the fair market value of property other than money) contributed by the donor over the value of goods or services provided by the organization
- provide a donor with a good-faith estimate of the fair market value of the goods or services

An organization must furnish a disclosure statement in connection with either the solicitation or the receipt of the quid pro quo contribution. The statement must be in writing and must be made in a manner that is likely to come to the attention of the donor. For example, a disclosure in small print within a larger document might not meet this requirement.

Exception

A written disclosure statement is not required:

4. where the goods or services given to a donor meet the “token exception,” the “membership benefits exception” or the “intangible religious benefits exception” described earlier

5. where there is no donative element involved in a particular transaction, such as in a typical museum gift shop sale
**Penalty**

A penalty is imposed on charities that do not meet the written disclosure requirement. The penalty is $10 per contribution, not to exceed $5,000 per fundraising event or mailing. An organization may avoid the penalty if it can show that failure to meet the requirements was due to reasonable cause.

**Year-end gifts.** Contributions are deductible in the year made. Thus, donations charged to a credit card before the end of 2017 count for 2017, even if the credit card bill isn’t paid until 2018. Also, checks count for 2017 as long as they were mailed in 2017.

<table>
<thead>
<tr>
<th>Required Documentation for Charitable Deductions Chart</th>
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<tbody>
<tr>
<td><strong>Amount</strong></td>
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<tr>
<td><strong>C A S H</strong></td>
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<tr>
<td>Single cash contribution of less than $250</td>
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<tr>
<td>Single cash contribution of $250 or more</td>
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<tr>
<td>Payroll deduction</td>
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<td><strong>N O N C A S H</strong></td>
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<tr>
<td>Noncash contributions less than $250</td>
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<td>Noncash contribution of $250 but not more than $500</td>
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<tr>
<td>Noncash contribution over $500 but not more than $5,000 §170(e)(12)</td>
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<tr>
<td>Noncash contribution of over $5,000 of similar items</td>
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<tr>
<td>Noncash contribution of more than $500,000</td>
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<tr>
<td>Noncash contribution of auto, boat, or airplane with a value of more than $500</td>
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<tr>
<td>Noncash contribution of publicly traded stock</td>
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<td>Noncash contribution of privately traded stock of more than $5,000</td>
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<td>Noncash contribution of art valued at more than $20,000</td>
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