



**Battershell & Nichols, CPAs
welcomes you to:**

**What Charities Should Know When
Sending Money to Foreign Causes
and Compensating Foreigners**

The presentation will begin shortly...

CPE needed?

Within one week, send an email requesting CPE, complete the course evaluation, and provide the list of CPE codes provided during the presentation to:

info@battershellnichols.com

(Only available for those attending live)

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Remote Accounting Services

- We provide bookkeeping services to churches and Christian nonprofits including:
 - Produce a monthly financial report for leadership
 - Process contributions and bills
 - Record all transactions in the general ledger
 - Reconcile bank accounts, credit cards, and close the books each month
 - Process payroll and file all quarterly and annual payroll forms
 - Provide budget and cash flow projection oversight
 - Give assistance with internal controls

Remote Accounting Services

- Why do we provide this service?
 - With online software solutions dramatically improving, outsourced bookkeeping has become a popular alternative to in-house bookkeeping
- Top reasons our clients use our remote accounting services:
 - Managing finances distracts the organization from its mission
 - Leadership and member increased confidence in their finances
 - Tax and accounting regulations are complex and changing faster than ever
 - They want a trusted advisor to provide CPA oversight

DISCLAIMER:

- *The author is not engaged by this text or webinar in the rendering of tax, accounting, or similar professional services.*
- *While the tax, and accounting issues discussed in this material have been reviewed with sources believed to be reliable, concepts discussed can be affected by changes in the law or in the interpretation of such laws since this text was printed. For that reason, the accuracy and completeness of this information and the opinions based thereon cannot be guaranteed.*
- *Before taking any action, all references and citations should be checked and updated accordingly.*

What Charities Should Know When Sending Money to Foreign Causes and Compensating Foreigners

June 15, 2022

By: Rick Battershell, CPA

Sending money overseas to:

- 1) a USA 501(c)(3) organization doing missions or relief work
- 2) a foreign organization
- 3) an individual who is a nonresident alien
- 4) a missionary who is a US Citizen
- 5) a nonresident alien who comes to the USA to do the work

Private Foundations have special requirements not discussed in this presentation

1) Sending money to a USA 501(c)(3) organization doing missions or relief work

- Avoids complex requirements and government regulations



2) Sending money to foreign organizations

- A 501(c)(3) organization will not jeopardize its exemption even though it distributes funds to organizations that are not themselves charities as long as:
 - The exempt organization “ensures” use of the funds for permitted purposes by limiting distributions to specific projects that further its own purposes.
 - The exempt organization also needs to retain control and discretion as to the use of the funds and maintain records establishing that the funds were used for section 501(c)(3) purposes. Rev. Rul. 68-489

2a) Subject to control of USA 501(c)(3)

Contributions to a foreign charity generally are not deductible. To be deductible, the USA 501(c)(3) organization may only solicit:

- for specific grants that are viewed and approved by it as being in furtherance of its 501(c)(3) organization purposes.
 - While a domestic charity can use the contributions abroad, it cannot merely transfer them to a foreign charity as a passthrough.
(see Rev. Rul. 63-252 for more discussion)

2a) Subject to control of USA 501(c)(3) cont.

- on the condition that it has control and discretion as to the use of contributions received by it.
- for its own 501(c)(3) purposes, not simply for the purposes of the organization receiving the grant.
- See Rev Rul 66-79 for more discussion



2b) Subject to control - guidelines

In determining whether a grant should be made, Rev Rul 66-79 provided the following sample guidelines for a USA 501(c)(3) board making foreign grants within its tax exempt purposes:

- 1) the making of grants and contributions and otherwise rendering financial assistance are within the exclusive power of the board of directors;
- 2) the board of directors makes grants to organizations organized and operated exclusively for charitable, scientific, or educational purposes;

2b) Subject to control – guidelines cont.

- 3) the board of directors reviews all requests for funds from other organizations, requires that such requests specify the use to which the funds will be put, and if the board of directors approves the request, authorizes payment of such funds;
- 4) the board of directors requires that the grantees furnish periodic accounting to show that the funds were expended for the purposes which they approved; and

2b) Subject to control – guidelines cont.



- 5) the board of directors may, in its absolute discretion, refuse to make any grants or contributions or otherwise render financial assistance to or for any or all purposes for which funds are requested.

2c) Screening recipients of funds

- **Executive Order 13224** (President George W. Bush on September 24, 2001), to cut off resources to terrorists and terrorist organizations through asset blocking
 - Prohibits transactions with those entities deemed by the Executive Branch to be associated with terrorism
 - Freezes all assets controlled by or in the possession of
 - these entities and
 - those who support them.

2c) Screening recipients of funds cont.

- Before sending funds to a foreign organization or individual:
 - Obtain names of leadership, board members and key individuals receiving funds
 - Compare all names against the Office of Foreign Assets Control (OFAC) list:
 - <https://sanctionssearch.ofac.treas.gov/>
- Patriot Act of 2001 – detect and deter terrorism
 - Treasury Department Office of Foreign Asset
 - Penalties for non-compliance include fines and jail time

2d) Sending resources overseas

- IRS “Grant” rules apply to:
 - Cash and noncash transfers to foreign organizations or individuals
 - Stipends
 - Scholarships
 - Reimbursements
 - Contract services



3) Sending money to individuals (in USA or overseas)

- A 501(c)(3) organization will not jeopardize its exemption even though it distributes funds to individuals, provided the distribution is on a charitable basis in furtherance of the organization's purposes. In order to substantiate that individual distributions are appropriate, the organization needs to maintain records and case histories showing: (Rev. Rul. 56-304)
 - the name and address of each recipient
 - the amount distributed to each
 - the purpose for which the aid was given
 - the manner in which the recipient was selected
 - the relationship, if any, between the recipient and members, officers, or trustees of the organization
- Funds sent subject to same rules as to organizations – control & screening

4) Sending money overseas to a missionary who is a US citizen

USA charity must:

- maintain control and discretion of funds donated with donor intent to benefit USA charity, not just an individual
- issue a Form 1099-NEC to missionary when sending \$600 or more
- screening not required if sent to and for the benefit of a US citizen
- monitor ongoing work of the missionary to confirm work furthers the tax exempt purposes of the charity

5) Paying a nonresident alien who comes to the USA to do the work

- a) Complex rules – This webinar does not go into all details for reporting.
- b) Charity reports income and tax withheld on IRS Form 1042 and 1042-S



5) Paying a nonresident alien who comes to the USA to do the work

- c) Payment made for services to a nonresident alien doing work as an independent contractor, while in the USA, is generally subject to 30% federal income tax withholding
 - i. this withholding may be reduced or eliminated (via tax treaty using Form 8233)
 - e.g. - a Canadian or Mexican contractor who provides IRS Form 8233 and a copy of their passport, certifying that he/she is a nonresident alien may not be subject to 30% withholding.
 - ITIN generally required – use IRS Form W-7
 - ii. failure to withhold or obtain proper documentation could subject the payer to personal liability for this tax plus penalties and interest

Suggested Resources for Ministries

- National Christian Foundation
 - www.ncfgiving.com
- The Church Network (formerly National Association of Christian Business Admin)
 - National
 - <http://www.thechurchnetwork.com/>
 - Pacific NW Chapter of the Church Network (see Facebook)
 - www.facebook.com/pages/Pacific-NW-Chapter-NACBA/612548092168404
- Church & Clergy Tax Guide
 - www.store.churchlawandtax.com
- Evangelical Council for Financial Accountability: www.ecfa.org
 - Donor Restricted Contributions
 - Standards and Best Practices for Churches
 - Compensation Data
 - Sample Financial Policies

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Next Webinar



Thursday, July 21, 2022

Topic: To be announced

Thank you for joining us

Please reach out with any questions:

info@battershellnichols.com

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