

Battershell & Nichols welcomes you

Receipting 2023 Charitable Contributions

The presentation will begin shortly...

CPE needed?

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

info@battershellnichols.cpa
(Only available for those attending live)

All CPE codes are provided in the presentation via polls



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 members have 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, this information and the opinions based thereon cannot be guaranteed.*
- *Before taking any action, all references and citations should be checked for accuracy and completeness, and updated accordingly.*



Receipting 2023 Charitable Contributions

January 17, 2024

By: Rick Battershell

IRS Rules for Receipting Contributions

- ▶ BEFORE filing tax return, donor must have a receipt *
 1. Name of organization (helpful if also signed with title indicated)
 2. Name of the donor
 3. Letter should be dated and received before the donor's tax return is filed
 4. Date and total amount of each contribution of \$250 or more
 - Each contribution "in cash" of any amount must be listed to be deductible
 5. Statement with the following wording "no goods or services were provided to the donor" (religious orgs may add "except intangible religious benefits")

Jan 24, 2024

FIRST CHURCH
123 Church Street
Seattle, WA

Fred Jones
123 Elm St
Seattle, WA

Dear Mr. Jones:

Thank you for your contributions and support listed below.

In accordance with IRS regulations, the organization confirms that no goods or services were provided to the donor in exchange for the following contributions except for intangible religious benefits.

Sincerely
M. Green, Treasurer

| <u>DATE</u> | <u>General Fund</u> | <u>Missions</u> | <u>Building</u> | <u>Total</u> |
|-------------|---------------------|-----------------|-------------------|-------------------|
| 2/1/2023 | 600.00 | | | 600.00 |
| 3/1/2023 | | | 1,000.00 | 1,000.00 |
| 4/1/2023 | 300.00 | | | 300.00 |
| 5/1/2023 | 300.00 | | | 300.00 |
| 6/1/2023 | 300.00 | | | 300.00 |
| 7/1/2023 | 300.00 | | | 300.00 |
| 8/1/2023 | | 200.00 | 100.00 | 300.00 |
| 9/1/2023 | 300.00 | | | 300.00 |
| 10/1/2023 | 300.00 | | | 300.00 |
| 12/1/2023 | 600.00 | | | 600.00 |
| | <u>\$3,000.00</u> | <u>\$200.00</u> | <u>\$1,100.00</u> | <u>\$4,300.00</u> |

Example Contribution Statement

Receipt Required by Donor for Deduction

- ▶ If the donor gave any amount of cash or a check for \$250 or more, he must have the receipt **BEFORE** filing tax return
- ▶ Sample announcement for your church bulletin or newsletter:

IMPORTANT NOTICE: To ensure the deductibility of your contributions, please do not file your 2023 income tax return until you have received a written acknowledgement of your contributions from the church. You may lose a deduction for some contributions if you file your return before receiving written acknowledgement of your contributions from the church.

Year of Contribution

*“Ordinarily, a contribution is made at the time delivery is effected. The unconditional delivery or mailing of a check which subsequently clears in due course will constitute an effective contribution on the date of delivery or mailing.”
Treas. Reg. 1.170A-1(b).*

Church reports as **2023** contribution:

- ▶ Check written and dated in 2023, deposited in offering on 12/31/2023
- ▶ Check written, mailed, and postmarked by 12/31/2023, church deposits in 2023 or 2024

Church reports as **2024** contribution:

- ▶ Check written in 2023, deposited in offering on 12/31/2023, but postdated to 1/1/2024
- ▶ Check put in 1/7/2024 offering but written and dated on 12/31/2023
- ▶ Check written and mailed by 12/31/2023 but not postmarked until 1/2/2024

Stock Contributions

- ▶ **Mailing** - If a member mails a properly signed stock certificate to the church, the gift is completed on the date postmarked (similar to prior slide)
- ▶ **Transfer** - If a member delivers the stock certificate to his bank or to the issuing corporation, the gift is completed on the date the stock is transferred on the books of the corporation. 1.170A-1(b)



Stock Contributions

► Fair Market Value (FMV)

If there is an active market for the stocks or bonds on an exchange, over-the-counter market or elsewhere, the FMV is the average price between the highest and lowest selling prices on the valuation date.

► **Example:** On the date of the contribution, if the highest selling price per share was \$11, and the lowest selling price was \$9, the average price would be \$10.

- IRS Publication 561



Restricted Contributions

Must be “to or for the use of” qualified charitable organizations *IRC 170(a), (b), (c)*



1. A gift is not considered a contribution if it is a conduit to a particular person.
2. Test: Does the organization have full control of the funds and discretion as to their use?
3. If the contributions are restricted for a specific individual or received with an understanding they will be so used, they are not deductible by the donor.
 - ▶ See IRS Rev Rule 62-113

Restricted Contributions

4. To determine if a contribution is made for the use of the organization, the organization must have full control of the use and the contributor's INTENT must be to benefit the organization, not the individual.
5. Restricting for Specific “Purposes” - Donors can “restrict” tax deductible contributions for charitable purposes. This usually happens when a donor contributes funds with a specified purpose such as:
 - building fund campaign or benevolence funds
6. We recommend communicating that the ministry will make every effort to honor donor designations, but that the ministry has discretion to determine how best to use all contributions.

Restricted Contributions - Examples

▶ Benevolence funds

- Donors can make suggestions of “potential” beneficiaries, but they should be only accepted if “advisory”, not mandatory. The board should retain full control and discretion.
- See Church and Clergy Tax Guide, 2024 edition, B.4, p.330

▶ Scholarship funds

- If donor restricts gift to benefit a specific student, then the contribution will not be deductible (PLR 9405003)
- Must benefit a “large and indefinite class of beneficiaries” (PLR 9631004)
- See Church and Clergy Tax Guide, 2024 edition, B.5, p.339

Restricted Contributions - Examples

▶ Foreign missionary

- Donors can suggest a specific use for donations as long as the church has full control to use the funds (PLR 200530016)
- See Church and Clergy Tax Guide, 2024 edition B.3., p.325

▶ Pastor restricted gifts

- Parent's gift to church to supplement son's wages as youth pastor, *Church and Clergy Tax Guide*, 2024 edition, B.6., p. 345



Restricted Contributions for Short-term Missions Trips

Assuming trip preauthorized by the ministry and furthers its exempt purpose

▶ Payment from participants

- Deductible if no significant element of personal pleasure, recreation, or vacation

▶ Payments from parents, relatives, or friends of participants

- Deductible only if given to a fund with ministry control and discretion to ensure it will be used to carry out the charitable organization's functions and purposes.
 - OK to "suggest" that the contribution benefit a specific person's expenses, but not it can't be restricted to benefit that person
 - If that participant doesn't go – no refund to contributors (since it's not "restricted")
 - OK to track funds received by participant for fundraising purposes

See Church and Clergy Tax Guide, 2024 edition, Chapter 8, p.362 - 365

Restricted Contributions for Short-term Missions Trips

► Suggestions for wording appeals for support

- All funds given will be allocated to cover the costs of missions team members and at the discretion of the church/ministry. Donors are free to suggest the beneficiaries of their contributions, however, such suggestions shall be deemed advisory rather than mandatory in nature
- I would like to suggest that these funds assist _____ (name of missionary). However, I understand that they may be applied to benefit other missions costs at the discretion of the church/ministry.
- Don't write missionary's name on check.

Noncash Contributions

► REQUIRED WORDING:

“In good used condition or better” – The receipt must state the condition of the property.

Only household good donations in “good or better condition” qualify for a charitable deduction.

- The limitation on "good used condition" does not apply to food, art objects, jewelry, gems, or collections, as well as individual items of clothing or household goods with a value of \$5,000 or more.



Noncash Contributions

First Church
123 Church Street
Seattle, WA 98101

January 18, 2023

To: John Jones

The church acknowledges receipt of _____ (give complete description along with model numbers, serial numbers, etc) in good used condition.

(Optional) The donor has valued the gift at \$ _____.

For IRS purposes, we confirm that no goods or services were given to you in exchange for this contribution except for intangible religious benefits

Keep this receipt for your tax records as this will not be included on your yearend contribution records.

Sincerely,

Sam Smith, Treasurer

- ▶ Example statement for contributions other than cars, planes, boats, etc.

Noncash Contributions > \$5,000

(including cryptocurrency, not publicly traded securities)

▶ **Form 8283** and appraisal required (tax law contains definition of who qualifies as an appraiser)

▶ **Form 8282** - Sale of property (other than publicly traded securities) within 3 years

| | | | |
|--|---|--|---|
| Form 8283 (Rev. November 2022) Department of the Treasury Internal Revenue Service | Noncash Charitable Contributions Attach one or more Forms 8283 to your tax return if you claimed a total deduction of over \$500 for all contributed property. Go to www.irs.gov/Form8283 for instructions and the latest information. | OMB No. 1545-0074 Attachment Sequence No. 155 | |
| Name(s) shown on your income tax return | | Identifying number | |
| Note: Figure the amount of your contribution deduction before completing this form. See your tax return instructions. | | | |
| Section A. Donated Property of \$5,000 or Less and Publicly Traded Securities —List in this section only an item (or a group of similar items) for which you claimed a deduction of \$5,000 or less. Also list publicly traded securities and certain other property even if the deduction is more than \$5,000. See instructions. | | | |
| Part I Information on Donated Property —If you need more space, attach a statement. | | | |
| 1 | (a) Name and address of the donee organization | (b) If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1098-C is attached). | (c) Description and condition of donated property (For a vehicle, enter the year, make, model, and mileage. For securities and other property, see instructions.) |
| A | | <input type="checkbox"/> | |

Noncash Contributions – Vehicles Sold

(same rules apply to donations of boats and planes)

▶ IF SOLD:

- Those who donate a car to charity cannot claim the “fair market value” if there was no significant charitable use before it was sold.
- The deduction is limited to the gross proceeds received by the charity from the sale.
- No appraisal is required if the donor’s deduction is limited to the gross proceeds of the car.

▶ Form 1098-C

- Provide to donor within 30 days of the sale (or provide similar information in a written acknowledgment)
- File 2023 sales of donated vehicles with the IRS by February 28, 2024 (April 1, 2024 if filed electronically)

Noncash Contributions – Vehicles Sold

(same rules apply to donations of boats and planes)

| | | | | | |
|---|-------------|---|----------------|--|--|
| DONEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | 1 Date of contribution | | OMB No. 1545-1959 Form 1098-C (Rev. November 2019) For calendar year 20 <input type="text"/> | Contributions of Motor Vehicles, Boats, and Airplanes |
| | | 2a Odometer mileage | | | |
| | | 2b Year | 2c Make | | |
| DONEE'S TIN | DONOR'S TIN | 3 Vehicle or other identification number | | | |
| DONOR'S name | | 4a <input type="checkbox"/> Donee certifies that vehicle was sold in arm's length transaction to unrelated party | | | |
| Street address (including apt. no.) | | 4b Date of sale | | | |
| City or town, state or province, country, and ZIP or foreign postal code | | 4c Gross proceeds from sale (see instructions) | | | |
| | | \$ | | | |

Boxes in Yellow are always completed

Boxes in Blue are only completed if vehicle is sold

Copy A

Skip boxes 5 a, b & c

| | |
|--|--|
| 6a Did you provide goods or services in exchange for the vehicle? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 6b Value of goods and services provided in exchange for the vehicle \$ | <input type="text"/> |
| 6c Describe the goods and services, if any, that were provided. If this box is checked, donee certifies that the goods and services consisted solely of intangible religious benefits | <input type="checkbox"/> |

Noncash Contributions - Vehicles

(same rules apply to donations of boats and planes)

► **Special rules when:**

- 1. the vehicle is significantly used by charity,**
- 2. the charity materially improves the vehicle, or**
- 3. the charity transfers the vehicle to a needy person for significantly below market value in furtherance of its charitable purposes:**
 - Those who donate a car to charity claim the “fair market value”
 - An appraisal and Form 8283 signatures are required for a deduction exceeding \$5,000



Noncash Contributions – Vehicles Not Sold

(same rules apply to donations of boats and planes)

| | | | | | | |
|---|--|--|-------------|---|--|------------------------|
| DONEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | 1 Date of contribution | | OMB No. 1545-1959 Form 1098-C (Rev. November 2019) | Contributions of Motor Vehicles, Boats, and Airplanes | |
| | | 2a Odometer mileage | | | | For calendar year 20__ |
| | | 2b Year | 2c Make | 2d Model | | |
| | | DONEE'S TIN | DONOR'S TIN | 3 Vehicle or other identification number | | |
| DONOR'S name | | 4a <input type="checkbox"/> Donee certifies that vehicle was sold in arm's length transaction to unrelated party | | Boxes in Yellow are always completed Boxes in Blue are only completed if vehicle is sold | | |
| Street address (including apt. no.) | | 4b Date of sale | | | | |
| City or town, state or province, country, and ZIP or foreign postal code | | 4c Gross proceeds from sale (see instructions) | | | | |
| | | \$ | | | | |

Copy A

Skip boxes 4 a, b & c if not sold

| | |
|---|--|
| 6a Did you provide goods or services in exchange for the vehicle? | Yes <input type="checkbox"/> No <input type="checkbox"/> |
| 6b Value of goods and services provided in exchange for the vehicle | \$ |
| 6c Describe the goods and services, if any, that were provided. If this box is checked, donee certifies that the goods and services consisted solely of intangible religious benefits | <input type="checkbox"/> |

Noncash Contributions – Vehicles Not Sold

(same rules apply to donations of boats and planes)

Complete boxes 5a, b & c if not sold, as applicable:

| | |
|-----------|--|
| 5a | <input type="checkbox"/> Donee certifies that vehicle will not be transferred for money, other property, or services before completion of material improvements or significant intervening use |
| 5b | <input type="checkbox"/> Donee certifies that vehicle is to be transferred to a needy individual for significantly below fair market value in furtherance of donee's charitable purpose |
| 5c | Donee certifies the following detailed description of material improvements or significant intervening use and duration of use |

Complete box if the vehicle value was \$500 or less:

| | |
|----------|--|
| 7 | Under the law, the donor may not claim a deduction of more than \$500 for this vehicle if this box is checked <input type="checkbox"/> |
|----------|--|

Unreimbursed Charitable Travel

Short term mission trips

- ▶ No deduction is allowed for contribution of services. However, unreimbursed expenses incurred while performing such services may be deductible including:
 - Transportation expenses (airfare, mileage, etc.)
 - ❖ Mileage rate = charitable rate of 14 cents per mile
 - Reasonable expenses for meals, lodging, and incidental expenses
 - ❖ Treas. Reg. 1.170A-1(g)
- ▶ Each donor must track their own travel and out of pocket expenses.
- ▶ Document that the travel was for charitable purposes, not for personal pleasure, recreation, or vacation
 - Donors could maintain a travel report listing what was done each day

Unreimbursed Charitable Travel

Short term mission trips

▶ To deduct out of pocket expenses, the donor should ask the nonprofit organization for a letter acknowledging that the volunteer paid their own travel expenses (for costs \$250 or more) and include the following:

- Description of services provided by the donor, and
- Whether the nonprofit organization provided any goods or services in return for the donor's services, other than intangible religious benefits
 - ❖ If so, the estimated value of the goods and services would be provided

First Church
Tacoma, WA

January 18, 2024

Dear Mike Jones:

Thank you for participating in a mission trip to Mexico sponsored by First Church in 2023. Your services of setting up and working in the medical clinic were very valuable. We acknowledge, for IRS purposes, that you personally incurred expenses for travel, lodging, food, and other miscellaneous expenses on behalf of the church for which you were not reimbursed. We confirm that the organization provided no goods or services to you in exchange for these services.

Sincerely,

Sam Smith, Treasurer

Providing Goods/Services in Exchange for Contributions



- ▶ Common examples – auctions, raffles, meals, etc.
- ▶ The organization is penalized \$10 for each contribution without a required disclosure
- ▶ See *Church and Clergy Tax Guide*, 2024 edition, Chapter 8, E.1, p. 376

Tax-Free Distributions from IRAs

- ▶ 2023 IRA distributions made to a qualifying charity are excluded from the IRA owner's income when:
 - IRA owner must be at least 70½ years old
 - Limited to \$100,000 per year (adjusted for inflation after 2023 – Secure 2.0 Act)
 - Assumes entire distribution would have qualified for a tax deduction
 - Temporary law in 2006, made permanent after 2014
 - ❖ IRC Sec 408(d)(8)



Written Acknowledgement

For an IRA Qualified Charitable Distribution

- ▶ Written acknowledgement from the nonprofit organization should include:
 1. The amount received
 2. That it was received directly from the IRA administrator with the intention to qualify as a charitable distribution from the IRA under IRC 408(d)(8)
 3. The charity warrants that it qualifies under IRC 170(b)(1)(A) and the gift was not transferred to a donor advised fund or a supporting organization described in 509(a)(3)
 4. Statement that no goods or services were received by the donor in exchange for this contribution, except intangible religious benefits

CPE needed?

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(Only available for those attending live)

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BATTERSHELL & NICHOLS
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Next Webinar

Parsonage/Rectory – Church and Clergy Tax Issues

February 21, 2024

1:00 – 2:00 p.m.



BATTERSHELL & NICHOLS
A PROFESSIONAL SERVICE CORPORATION

Thank you for joining us

Please reach out with any questions:
info@battershellnichols.cpa
(253) 839-1620

