

Contributions

Frequently Asked Questions

- Can the value of someone's personal time volunteering for the church be added to their contribution record?
 - No. Under tax law, the value of personal services is never a charitable contribution.

- Is the church required to send contribution acknowledgements?
 - No. The requirement is for the taxpayer (donor) to have written acknowledgement of any gift of \$250 or more in writing when filing their tax return. However, charitable organizations should send written acknowledgements, at least, annually.

- What information is required on the written contribution acknowledgement?
 - Name of donor, date donation was made, \$ amount of cash donation
 - Statement that "no goods or services were received in exchange for the donation"
 - Exception, if goods or services were received or exchanged for the contribution, must state value of goods or services

- Should the "value" of a non-cash contribution be included in the contribution records?
 - No. Only cash contributions should be recorded in the contribution records. Non-cash contributions should be acknowledged separately in writing.

- Should the "value" of a non-cash contribution be stated in the written acknowledgement?
 - No. The acknowledgement should describe the non-cash contribution but never place a value on the property.

- Can the cost of supplies purchased by a volunteer be added to their contribution record?
 - No. This is a "non-cash" contribution and should never be added to the contribution record. Should be acknowledged separately but with no value placed on the contribution, even if you have the receipt.

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- Can a donation given to help a specific individual in need be a charitable contribution?
 - Generally, no, tax law does not allow tax-deductible contributions to individuals.
 - There can be exceptions based on facts and circumstances where it is determined the church retained administrative control of the funds, i.e., special appeal benevolence fund for an individual set up by a church

- Can a donation be given to assist a participant to go on a church-sponsored short-term mission trip be a charitable contribution?
 - It depends.
 - If a church sponsored mission trip and church retains control of all funds donated, then yes. Important for donor to understand donation is given for the mission purpose of the church, not for a specific individual.
 - If the donation is given for an individual for a mission trip sponsored by a mission partner of the church, i.e., the Association for state convention, and funds are sent through the church to the mission partner who retains control of the funds, then yes.

- Can funds given for a specific designation be used for other purposes?
 - The general rule is no. However, courts have ruled both ways when designated funds have been used for different purposes based on the facts and circumstances of each case.
 - Many factors to consider –
 - Did church solicit funds for specific purpose, i.e., new building
 - Is there a written designated contribution policy that informs donor church retains control of the funds?

- Should donations be returned to donors who request a refund?
 - Many factors to consider, but generally, best business practice is to not refund a donation. Tax law does not disallow refunds, but a refund gives the appearance that the donation was not in fact a donation. If contribution credit given in prior year, refunds would require a Form 1099 issued to the donor in the year of refund.

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- Can donations given for cancelled mission trips be refunded?
 - If contribution credit given in prior year, a Form 1099 must be issued to donor in year of refund
 - A written short-term mission policy could address how refunds are handled for cancelled trips

- Should donor be given contribution for 100% of online contribution or for the net amount after bank fees?
 - Donor should be given credit for 100% of the online contribution. The fee is an expense to the church.

- What should the church do with unused designated funds?
 - Complex issue with many factors to consider
 - Advise caution and transparency
 - Is it possible to identify original donors to agree with redirecting unused funds?
 - Should consider church vote to redirect unused funds
 - Could be legal ramifications, may need legal counsel

- How should church handle a designated contribution from a donor that has not been set up by the church?
 - Return the contribution
 - Church must receive designated donations only for ongoing programs or ministries of the church administered by the church
 - Donor cannot create a new designation

- How long should the church retain offering envelopes?
 - Tax law does not dictate timeframe for retention.
 - Once church has distributed written acknowledgements to the donors, retention period can be determined by the church
 - Inform donors in acknowledgement how long original offering envelopes will be retained. The written acknowledgement to the donor meets tax law requirements for substantiation of tax-deductible contribution.