

Charitable Deduction Documentation Requirements—How to Help your Donors Get Their Deductions. August 2012, Hope Covington, CPA, Renner and Company, CPA, P.C.

Introduction

If your individual donors itemize their deductions on their tax returns, they are very interested in taking a deduction for contributing to your organization. The law is very clear, however, that if individuals do not have documentation, they are not allowed to take the deduction for their donation. That makes it very important for qualified organizations to provide proper documentation to their donors.

What is the threshold for providing documentation?

Cash Contributions

Your individual donors must maintain records for all of their contributions. If cash contributions are less than \$250 per contribution, then a bank record is sufficient for documentation. The bank record, such as a canceled check or credit card statement, must include the date, amount, and name of the organization receiving the donation. If an individual provides a single cash contribution of \$250 or more, then they must receive written documentation from the receiving organization. Multiple donations to the same organization at different dates do not have to be combined to determine the \$250. So if an individual contributes \$30 each month to your organization, those amounts are considered separate contributions. You do not have to combine the amounts, which would put your donor over \$250 and require your donor to have documentation for the year.

Combination of Cash and Goods or Services

If an organization receives a donation that is a combination of cash and goods or services, then the organization must provide documentation if the combined value is more than \$75.

Noncash Contributions

Individuals must maintain their own records if noncash contributions are less than \$250. If the amount contributed is more than \$250, organizations must provide written documentation of receipt. Organizations may also want to let donors know that if they plan to contribute more than \$5,000 of noncash contributions, they must have a qualified written appraisal to take their deduction.

What type of documentation is required?

If individuals contribute more than \$250, they must have written documentation from the organization. Along with being written, the documentation for cash and noncash contributions must provide specific items including:

- the amount of cash contributed by the donor (only applicable for cash only donations),
- whether or not the organization provided goods and services to the donor, and

- a description and estimated value of any goods or services provided by the organization to the donor. For cash contributions to religious organizations, the document may state that intangible religious benefits were the only ones received.

The reason for documenting the amount of goods or services donors receive in exchange for contributions is that individuals may only deduct amounts for which they received no benefit. For example, if an individual gives your organization \$200 in exchange for a ticket to a sporting event, and if the ticket price is \$50, then the individual is only allowed to deduct \$150 as a contribution on their return. They may not deduct the \$50 value of the ticket, because they received a benefit. The organization must list the amounts on the written documentation it provides so the individual knows how much they may deduct on their return.

When do you need to provide the documentation?

Donors must receive their written documentation by the earlier of the date they filed their return for the year they made the contribution, or the date the return is actually due. Therefore it is important to make sure that donors receive timely documentation on their contributions so that they may take the deduction on their tax return.

What is some other helpful information I could tell my donors?

There are limits on the amounts individuals may deduct on their return. Individuals may not deduct more than 50% of their adjusted gross income. If an individual's adjusted gross income is \$30,000, they are not allowed to deduct more than \$15,000 in total contributions for the year on their return. The amounts that cannot be deducted for the year can be carried forward for 15 years though. Most organizations qualify for the 50% limit but there are some that have a 30% limit.

Summary

If you don't provide your donors with documentation for their cash contributions over \$250, then they can't take a charitable deduction on their tax return. The documentation must be written, include the donation amount, state whether or not the organization provided any goods or services (if they did provide goods or services they must state that they did and include a description with an estimated value), and may say that intangible religious benefits were the only ones received if the organization is religious. This information will help you plan ahead to meet your donors' documentation needs.

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