What the IRS says about Charitable Contributions

IRS Publication 1771, Charitable Contributions- Substantiation and Disclosure Requirements, outlines the federal tax law requirements for charities that receive tax-deductible charitable contributions and donors who make contributions. Here is a handy guide for navigating those requirements.

A donor who makes charitable 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.

An organization that receives gifts of $250+

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.

Letters, postcards or computer-generated forms with the above information are acceptable.

Recipient organizations typically send written acknowledgments to donors no later than January 31 of the year following the donation.

Written Acknowledgment

A timely written acknowledgement includes:

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 in return, if that was the case
5. A description and good faith estimate of the value of goods or services, if any, provided in return for the contribution
6. A statement that goods or services, if any, an organization provided in return

An organization providing goods/services to donors who donate $75+

The acknowledgment must describe goods or services an organization provides in exchange for a contribution and 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.

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

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