

Contribution Documentation Checklist

During the past 10 to 15 years, Congress has substantially increased the documentation requirements needed to support many types of contribution deductions. The IRS enforces these requirements, and the courts have generally upheld the IRS's complete denial of improperly documented deductions even when there was other evidence of a contribution. Therefore, "substantial compliance" has not been enough to protect many deductions.

For the most part, these laws are the direct concern of the donor rather than the charity, as very few such laws penalize organizations for non-compliance. Charities play a critical role, however, because donors often cannot properly claim contribution deductions if the organization does not comply with the requirements. Also, for non-cash gifts, the charity's representative is often the first person to alert the donor of a requirement.

The following checklist will point organizations and donors to issues that need to be addressed for a donor to properly claim a contribution deduction. To keep it functional as a checklist, we have omitted long explanations. If any part seems to apply to you and you are not sure of the requirement details, please consult a tax advisor.

Cash Contributions

This category includes contributions made by check, credit card, or actual cash.

1. A contribution made by check, credit card, PayPal, or similar method for \$250 or less does not need a receipt from the organization.
2. If a gift is in actual cash, or if the amount is over \$250, the donor must have a receipt from the organization.
3. The receipt must show:
 - Name of donee organization
 - Date of receipt
 - Date of gift
 - Name of donor
 - Amount of gift
 - Whether any goods or services were provided to the donor
 - If goods or services were provided:
 - A description and good faith valuation of the goods/services provide to the donor, and
 - A statement that the donor's contribution deduction is limited to the amount of the gift in excess of the value of goods/services provided to the donor
 - If no goods or services were provided, a statement such as:
 - "No goods or services were provided in connection with this gift"
 - Religious organization may add: "except intangible religious benefits"
4. Exempt organizations must issue a receipt if the gift is over \$75 and the exempt organization provided goods or services to the donor in exchange for the gift. (*Example:* contribution of \$80 for an exempt organization fundraiser where the donor got a \$25 meal; the receipt would show \$80 gift, \$25 meal, contribution deduction amount of \$55, plus other information described above.) This is sometimes called a "quid pro quo" gift. There is a penalty on the organization for failure to issue this type of receipt.
5. Quid pro quo gifts include charitable gift annuities and bargain sales.
6. The donor must have the receipt before the donor files his or her tax return!

Except for the quid pro quo contribution described above, or vehicle contributions described below, the organization is not penalized by the tax law for not issuing a receipt, issuing a late receipt, or issuing an incomplete receipt. The donor, however, may suffer from these mistakes. It may be impossible to fix a mistake once the donor has filed their tax return.

Non-Cash Contributions

“Non-cash” includes any contribution that is not cash as defined above. Common examples are land, stock, and vehicles. Non-cash also includes currency of another country, promissory notes, insurance policies, and many rarer gifts.

1. The same receipt content requirements apply to non-cash gifts as described above for cash gifts, except that instead of stating an amount, the organization describes the gift. The same quid pro quo rules also apply to non-cash gifts.
2. Used clothing and household goods must be of good condition or better, and generally comply with the other requirements for non-cash gifts. Contributions valued at \$250 or less and left at the organization’s drop box may be documented by detailed descriptions and rationale for valuation. If valued at more than \$250, but less than \$500, they must comply with the regular receipting requirement.
3. Non-cash contributions valued at \$500 or less require a receipt issued by the donee organization, but no additional documentation.
4. Non-cash contributions valued at more than \$500 but less than \$5,000 require a receipt. In addition, Form 8283, Section A, must be completed and attached to the donor’s tax return.
5. Non-cash contributions valued in excess of \$5,000 require a receipt, plus Form 8283, Section B must be completed and attached to the donor’s tax return. Section B requires a written appraisal from a qualified appraiser, with some exceptions:
 - An appraisal is not required of privately held stock valued at \$10,000 or less.
 - Publicly traded securities may be valued using market values on the date of the contribution. A special formula is used.
 - A contributed vehicle that is valued at its sale price does not need an appraisal. (See below for details.)
 - Intellectual property has its own elaborate valuation process, and does not need an appraisal.
6. For non-cash contributions that require an appraisal, the organization is required to sign Form 8283, acknowledging that they received the property described on the form. If they sell or otherwise dispose of the contributed asset within three years of the contribution date, they must file Form 8282 with the IRS.
7. A donation of art valued at \$20,000 or more requires a receipt and Form 8283, Schedule B. The appraisal must be attached to the donor’s tax return.
8. Contributions of vehicles (any motor vehicle used on public streets and roads, boats, or aircraft) are subject to specific requirements and reporting obligations. These are described in the instructions to Form 1098-C. Copy B of Form 1098-C is provided to the donor, and Copy C must be filed with the IRS. If the value of the vehicle is more than \$500, there is a penalty on the organization for failure to comply with the vehicle contribution requirements.

Conclusion

Most charities satisfy the primary cash documentation requirements, but there have been several cases recently where the IRS disallowed contributions because dates, amounts, or names were missing. The non-cash contribution requirements are more complex and are less commonly satisfied. Organizations and donors that make mistakes because of unfamiliarity with the requirements may pay a high price in lost contribution deductions. Please contact us if you or your donors have concerns or questions about contribution documentation.

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