



Are You Giving Your Donors Proper Receipts?

The IRS is clamping down on nonprofits to be sure they're providing the required receipts. Use this sample policy to be sure you're following the rules.

BY PAMELA MCALLISTER

If your organization accepts donations, you need to decide what kind of receipts you're legally required to give your donors. You can simplify this decision by adopting a receipt policy. The simpler such a procedure is, the more likely you are to be issuing receipts that—while perfectly OK—aren't legally required. But many organizations find the simplicity is worth it, especially since they want to thank their donors anyway. If you use a computerized database to track donations, you can generate receipts automatically and integrate them into your thank-you notes to donors.

Below is a sample receipt policy. Of course this isn't the only possible policy that would satisfy the legal requirements. You can develop your own policy by working through the rules discussed in *The Charity's Guide to Charitable Contributions*.¹ If you have any questions about whether your policy meets your legal obligations, be sure to get professional advice.

Sample Receipt Policy

When you receive a contribution of cash or property, promptly mail or give the donor a written receipt.² Here are guidelines to use in writing your receipt:

I. Include a sentence thanking the donor and describing the contribution. If the contribution is cash, state the amount. If the contribution is property, describe the property, but don't give it a dollar value. Here are examples:

Thank you for your cash contribution in the amount of \$100.

Thank you for your donation of two desks and one four-drawer filing cabinet.

II. If the donor received a premium in return for the contribution, decide whether the premium can be disregarded. There are five categories of premiums you can disregard:

1. You can disregard premiums whose value is less than 2% of the contribution.
2. You can disregard low-cost logo premiums (t-shirts or other logo products) if
 - the contribution is at least \$35.50 (adjusted annually for inflation)³
 - the premiums are token items bearing your organization's name or logo, and
 - your organization's total cost for the items is not more than \$7.10 (adjusted annually for inflation).³
3. Free, unordered, low-cost premiums can be disregarded if
 - they are mailed without the request or consent of the prospect

YOU CAN GENERATE
RECEIPTS AUTOMATICALLY
AND INTEGRATE THEM INTO
YOUR THANK-YOU NOTES
TO DONORS.



**IF THE CONTRIBUTION
IS PROPERTY,
DESCRIBE THE PROPERTY,
BUT DON'T GIVE IT
A DOLLAR VALUE.**

- they are accompanied by a request for a donation
 - they include a statement that the prospect may keep them whether or not they make a donation, and
 - your organization's total cost for the items sent to a prospect during a calendar year is less than \$7.10 (adjusted annually for inflation).³
4. You can disregard membership benefits if they are offered for \$75 or less per year and consist of
- rights that the member can exercise frequently, and
 - admission to member-only events, each of which costs the organization less than \$7.10 (adjusted annually for inflation) per person.³
5. Some solicitations offer premiums with a box donors can check to decline the gift. If the donor checks this box, you can disregard the premium. If the donor accepts a premium—such as a ticket to an event—and decides not to use it, the premium can't be disregarded. But if the donor returns the premium to your organization for reuse or resale, you can disregard it.

III. If the premium can't be disregarded, include the following on your receipt, filling in the appropriate information:

As a token of our appreciation for your support, we have sent you the [description of premium] you selected. We estimate the value of the [name of premium] to be [dollar value of premium]. We are required to inform you that your federal income tax deduction for your contribution is the amount of your contribution less the value of the [name of premium].

IV. If the donor didn't receive a premium, or received a premium that can be disregarded, include the following on your receipt:

We have not provided any goods or services in consideration of your contribution. Therefore, your entire contribution is deductible as a charitable contribution for federal income tax purposes. ■

Footnotes

¹ To order, see page 24.

² Don't issue receipts for contributions of services or for contributions of the use of property, and don't say anything to suggest that these are tax-deductible contributions. Send a thank-you note instead.

³ Toward the end of each calendar year, the IRS considers inflation and adjusts the \$35.50 and \$7.10 amounts. The new amounts are published in a Revenue Procedure publication. You can find the current amounts on Pamela McAllister's Web site at <http://www.exempt-law.com>. (Look through the FAQs on charitable contributions.)

Selected References

"Demystifying the Receipting of Charitable Gifts," *Nonprofit World*, May-June 1996.

McAllister, Pamela, *The Charity's Guide to Charitable Contributions*.

Muehrcke, Jill, ed., *Law and Taxation, Leadership Series*.

Muehrcke, Jill, ed., *Fundraising and Resource Development, Leadership Series*.

Solender, Elizabeth & Cynthia Wilson Krause, "Looking a Gift Horse in the Mouth: Receiving Real-Estate Gifts," *Nonprofit World*, January-February 1998.

"Update Your Volunteers on IRS Rules," *Nonprofit World*, May-June 1998, p. 9.

These resources are available from the Society's *Resource Center Catalog*, included in this issue. See page 22 or contact the Society at 6314 Odana Road, Suite 1, Madison, Wisconsin 53719 (800-424-7367).

Pamela McAllister is the author of The Charity's Guide to Charitable Contributions (see "Selected References"), from which this article is excerpted. She has been helping nonprofit organizations untangle the web of federal tax laws for over a decade. Her Seattle law practice is devoted primarily to tax-exempt organizations.

Nonprofit World • Volume 17, Number 6 November/December 1999
Published by the Society for Nonprofit Organizations
6314 Odana Road, Suite 1, Madison, WI 53719 • (800) 424-7367

**Don't confuse the
cost of a premium
with its value!**

The cost of premiums is used for convenience in determining whether you can disregard premiums when you make out charitable receipts. An item's value is the price that a willing seller would pay a willing buyer for the item. The donor's tax deduction is always the amount contributed less the value (not the cost) of any premiums that can't be disregarded.