END OF YEAR RECEIPT PREPARATION FOR DONOR CONTRIBUTIONS

As you prepare your church's year-end receipts, please use Chapter 10 of the LCMS Congregational Treasurer's Manual https://www.lcms.org/resources/ctmanual as your resource.

The information below is excerpted from the article ***7 Deadly Sins of Year-End Gift Receipts*** found at https://churchintegrity.blogspot.com/. These seven points will help you avoid causing potential problems with your givers' tax deductions.

1. **Failing to receipt the right kinds of gifts (single contributions of $250 or more).** The first and most obvious sin to avoid is failing to provide givers with a proper receipt when one is needed. Tax law sets the bar at single contributions of $250 or more. Gifts below that amount do not require a receipt unless they are gifts of currency (bills and coins), which have no other form of substantiation.

   One annual summary of all gifts made throughout the year is sufficient so long as it lists the gifts by date and amount, making contributions of $250 or more identifiable within the total. Keep in mind that the $250 threshold applies to both monetary gifts and non-monetary gifts (i.e., property).

2. **Receipting the wrong kinds of gifts (time and rent-free use of property).** Churches are often blessed by those who generously give their time or use of their property to the church. While these gifts are often extremely valuable, they cannot be claimed by the giver as deductible contributions for tax purposes. Churches should *never* provide receipts to givers for their time or use of their property, but they may provide a letter at year-end thanking volunteers for their time and/or use of property and advising that unreimbursed out-of-pocket expenses related to their volunteer service may be deductible.

3. **Receipting the wrong person (a taxpayer other than the giver).** Churches are sometimes asked to provide a gift receipt in the name of someone other than the giver. To avoid being complicit in tax fraud, it is generally only appropriate to issue a gift receipt to the taxpayer remitting the funds or property.

4. **Missing the correct IRS wording ("no goods or services…**"). Even if your church provides a receipt for the right kinds of gifts and to the right person, it still must have some very specific information and wording to be sufficient for substantiation purposes.

   Be sure your gift receipts are *in writing* and include the following:
   - Your church's name and the giver's name
   - The date the donation was made and a date the receipt was issued
   - The amount of cash or description of the property contributed
   - A statement explaining whether the church provided any goods or services to the giver in exchange for the contribution.

5. **Forgetting to disclose when givers benefit ("quid pro quo").** That brings us to the fifth deadly sin. If indeed the giver receives something of value from the church when making their contribution (e.g., a book, resource, meal, etc.), only the portion of the gift exceeding the fair market value of the benefit received may be deductible. Churches must provide a receipt for all transactions where the giver makes a payment to the church of more than $75 and receives

goods or services in return (other than intangible religious benefits or items of token value).

6. **Estimating the value of non-monetary gifts for givers (becoming an appraiser).** For monetary gifts (e.g., currency, check, credit card), the church should simply include the dollar amount on the giver's receipt. When it comes to non-monetary gifts of property (sometimes also called "noncash gifts"), the church should only provide a legal description of the property and not the amount.

7. **Timing (missing the right window).** The law requires that receipts not only include all of the proper elements described above, but also that they be provided to the giver in a timely manner ("contemporaneously").

   The timing rules vary depending on the type of gift involved, but the basic point to remember is the giver will need the receipt for substantiation purposes no later than the due date, plus any extension, of their federal income tax return, or the date the return is filed, whichever date is earlier.