

MEMORANDUM

Requirements for Charitable Receipts

A donor cannot claim a charitable deduction for a donation to a public charity ("Charity") without proper proof of his or her donation. This is called the "substantiation requirement." Here are the basic substantiation rules, followed by a discussion of the information a charitable receipt should contain:

Donation of Less Than \$250 (Cash)

If the donation to the Charity is a cash donation under \$250, the Charity is *not* required to provide the donor with a receipt as the donor's cancelled check, website receipt, or other similar documentation is sufficient proof. However, in certain circumstances, it may still be appropriate to give the donor such a receipt, especially if the donor asks for one.

Please note that separate contributions are not aggregated for the purposes of reaching the \$250 threshold. Hence, if a donor gives the Charity \$200, and later donates another \$200, the total donation is not aggregated to be \$400; instead, each donation is under the \$250 threshold.

Donation of \$250 or More (Cash)

However, if the donation is \$250 or more, a donor must obtain a receipt from the Charity of its charitable donation so that the donor can substantiate its donation and related charitable tax deduction with the Internal Revenue Service ("IRS"). If the Charity receives a donation of \$250 or more, it must *automatically* provide the donor with a receipt.

Donation of Property Other Than Cash

If a donor contributes property other than cash (such as clothes, products, etc.), there are more complicated rules. Donations of property *always* require receipt from the receiving organization. In addition to the information discussed below, the Charity's charitable receipt must include a good-faith estimate of the value of goods received; insubstantial values, however, need not be recorded. Some organizations (such as Goodwill, for example), leave the space regarding the value of the goods received blank and let the donor fill it in. However, in these cases the fair market value of the goods (such as used clothing) is generally insubstantial.

Please note that if the value of property donated to the Charity is over Five Thousand Dollars (\$5,000.00), the donor must seek an appraisal from a certified professional as to the value of the property, and give such information to both the Charity and the IRS.

Contents of a Charitable Donation Receipt

What should be included in the Charity's charitable donation receipt?

The IRS has not created a standard format for contribution receipts, but the following information must be included:

- The donor's name
- A statement that donations to the Charity are deductible under Internal Revenue Code Section 170
- The amount of money or a description of the item donated
- A statement indicating whether or not any goods or services were provided by the Charity in return for the gift. For example, if a donor donates \$250 to a charity dinner, with a dinner value of \$20, then the donation was only for \$230. The charitable receipt should note these numbers if the donor did, in fact, receive something in exchange for its contribution.
- A good-faith estimate of the value of goods or services provided; again, insubstantial values need not be recorded.

The charitable receipt can be a letter, a postcard, an e-mail message, or a form created for the purpose. I recommend creating a form letter or email that can be used for such purpose. There are many examples on the internet, and you could also look at receipts you have received from charitable organizations in the past for examples. I would be happy to provide you with a good form letter if you would like, or to review one that you devise on your own or locate on the internet.

* Please note that it is also important for the Charity to keep copies of all receipts relating to charitable donations it receives for its own records and annual information return.

CIRCULAR 230 DISCLOSURE

The IRS requires a disclosure that this communication is not in a form intended or written to be used for purposes of avoiding Internal Revenue Code penalties or for the promotion, marketing or recommending to another party the transaction referenced herein.