



The Importance of Proper Substantiation (And Why You Should Care)

In light of ongoing legislation regarding charitable donations, it is important for recipient organizations to provide donors with the required substantiation.

The Basics

The acknowledgement for a gift of \$250 or more must come from the receiving organization and must clearly state that the transaction was a bona fide gift (and not, for example, a tuition payment). When the gift isn't money, the acknowledgement should clearly describe what was given, but not state a value.

The receipt also must describe anything the donor received in return for the gift (except "insubstantial" recognition items), or say clearly that nothing of value was exchanged.

Your Responsibilities

Cash (under \$250)

No written acknowledgement is required.

Cash (\$250 and over)

Provide the donor with a written acknowledgement on or before the date the donor files an income tax return.

Property (under \$5,000)

Provide the donor with a receipt describing the items donated. Note that there is no requirement to provide an estimate of value to the recipient.

Property (\$5,000 and over)

Acknowledge receipt of property by signing IRS Form 8283 (*Noncash Charitable Contributions Form*) after the donor has obtained a proper appraisal of the gift property. It is the donor's responsibility to have the gift appraised and valued. The organization is required to report to the IRS dispositions of certain charitable deduction property made within two years after the donor contributed the property.

Vehicles (\$500 and over and used by the recipient for qualified purposes)

Provide written notice certifying the intended use of the vehicle and that it will not be sold until the completion of such use.

Vehicles (\$500 and over sold by the recipient)

Provide IRS Form 1098C confirming the sale price of the vehicle.

Intellectual property

Provide the donor with initial acknowledgement of the property and, in subsequent years, inform the donor of the income the property has generated.

Exchanges

If your organization provides the donor with any goods or services in exchange for the donation, you are required to make a good faith estimate of the value of the goods and services and inform the donor of this value in a written acknowledgement.

Fundraising

If your organization raises money by holding special events (e.g., fundraising dinners, theater parties, etc.) and charges a price substantially greater than the actual cost, the excess amount represents the purchaser's donation and should be treated as a cash donation.

Requirements For Vehicle Donations

Federal tax legislation recently changed the substantiation requirements and deductibility amounts for charitable contributions of vehicles (including boats and airplanes).

If the vehicle's value is more than \$500, the donor must receive a contemporaneous written acknowledgement from the receiving organization. If the donee sells the vehicle, without significant intervening use or material improvement, it must provide acknowledgement to the donor within 30 days of the sale using IRS Form 1098C.

These rules do not apply if the charity transfers the vehicle to a needy individual at a price significantly below fair market value and the transfer is directly related to the charitable purpose of the donee organization of relieving the poor and distressed who need transportation.

If the donee organization plans to sell the vehicle after *a significant intervening use or material improvement*, the donee must provide written acknowledgement to the donor within 30 days of the contribution that includes:

- A certification of the intended use or material improvement of the vehicle and intended duration of that use.
- A certification that the vehicle will not be transferred in exchange for money, other property or services before completion of that use or improvement.