10 Things Every Church Member Needs to Know About

Charitable Contributions

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Your Complete Guide to Tax-Deductible Giving

What You'll Learn Today

- Timing of Contributions (When it Counts)
- Deductibility of Contributions (What Qualifies)
- Donor-Advised Funds (Strategic Giving)
- Mailing of Contributions (Postmark Rules)
- Volunteer Work Valuation (Non-Cash Contributions)
- Church Retreats & Event Costs (Deduction Guidelines)
- Contribution Limits (AGI Thresholds)
- Record Keeping Requirements (Documentation Rules)
- Non-Cash Contributions $500+ (Form 8283 Rules)
- Vehicle, Boat & Plane Donations (Special Rules)

Topic 1: Timing of Contributions

When Does Your Gift Count?

- **Cash/Check (U.S. Mail):** Postmark date is the donation date (mail by Dec 31)
- **Private Courier (UPS/FedEx):** Must be received by Dec 31 (no postmark rule)
- **Wire Transfers:** Initiate by Dec 25-27 (requires 2-3 business days to clear)
- **Credit Card:** Donation date is when charged, not when paid

Topic 1: Timing (Continued)

Stock Certificates (USPS): Postmark date counts; mail by Dec 31

Stock Certificates (Private Courier): Must be received by Dec 31

IRA Qualified Charitable Distributions: Must leave AND clear account by Dec 31 (initiate by Dec 8)

KEY PRINCIPLE: Contribution is complete when delivered, not when received (for USPS)

- *Source: IRS Publication 526 & Church Law and Tax Resources*

Topic 2: Deductibility of Contributions

What Makes a Contribution Tax-Deductible?

Church must be a **qualified 501(c)(3) organization**

Contribution must be **voluntary** (not in exchange for goods/services)

Gift must be **documented** with receipts, bank statements, or acknowledgments

You must **itemize deductions** on Schedule A (Form 1040)

IMPORTANT: Tithes are treated like ANY charitable donation (no special tax break)

Topic 3: Donor-Advised Funds (DAFs)

Strategic Year-End Giving

Contribution to DAF: Deductible by December 31 (immediate tax deduction)

Grants FROM DAF: NOT deductible (deduction only applies to initial contribution)

Excellent for **year-end tax planning** and spreading contributions over time

- Can give appreciated assets (stocks) to DAF, then recommend grants to church

NOTE: Non-profit foundations are NOT eligible DAF recipients

Topic 4: Mailing of Contributions

The Postmark Rule

USPS Mail: Postmark date is the effective donation date (mail by Dec 31)

- Once mailed, donor cannot retrieve gift → IRS honors postmark date

Private Carriers (UPS, FedEx, DHL): Must be RECEIVED by Dec 31 (no postmark rule applies)

- These carriers allow tracking/retrieval → Receipt date controls

BEST PRACTICE: Use USPS for peace of mind; mail by December 31

Topic 5: Volunteer Work Value

What You CAN and CANNOT Deduct

NOT DEDUCTIBLE: The value of your labor or volunteer time (cannot deduct hours worked)

DEDUCTIBLE: Out-of-pocket expenses incurred while volunteering (supplies, mileage)

Mileage: Standard mileage rate applies for volunteer work transportation

Supplies: Costs for supplies you provide for church activities

- *Example: Purchasing choir robes, paint for facility maintenance, materials for service projects*

Topic 6: Church Retreats & Events

Distinguishing Deductible vs. Non-Deductible Costs

NOT DEDUCTIBLE: Cost of meals, lodging, or entertainment received by you

DEDUCTIBLE: Additional charitable contribution ABOVE fair market value

Example: Retreat costs $500. You deduct $300 of net charitable contribution

- Must subtract the value of benefits you receive from your payment

KEY RULE: Only the excess over FMV qualifies as charitable contribution

Topic 7: Contribution Limits

Annual Deduction Caps Based on AGI

- **Standard Rule (Cash):** Limited to 60% of Adjusted Gross Income (AGI)
- **Appreciated Assets:** Limited to 30% of AGI
- **Excess Contributions:** Can carry forward and deduct over next 5 tax years
- **SPECIAL RULE (2020-2021):** 100% of AGI allowed for qualified cash donations
- **Must Itemize:** Only benefit from deduction if itemized > standard deduction

Topic 8: Record Keeping

Documentation is Critical for IRS Audits

- **All Donations:** Bank statements, receipts, or written acknowledgments
- **$250 or More (Cash):** Must have written acknowledgment from church
- **Non-Cash:** Receipt + detailed description of items donated
- **Non-Cash ($500+):** Form 8283, Section A (not appraised items)
- **Non-Cash ($5,000+):** Qualified appraisal REQUIRED + Form 8283, Section B

Topic 9: Non-Cash $500+ (Form 8283)

What Requires Form 8283, Section A?

$500-$5,000: File Form 8283, Section A (no formal appraisal needed)

- Describe items donated with reasonable estimate of fair market value (FMV)

$5,000+: Form 8283, Section B REQUIRED with qualified appraisal

- Appraiser must have qualifications meeting IRS standards

$500,000+: Appraisal PLUS appraiser declaration required on Form 8283-B

Topic 10: Vehicles, Boats & Planes

Special Deduction Rules (American Jobs Creation Act 2004)

- **General Rule:** Deduction limited to GROSS PROCEEDS from church's sale
- **Exception:** Fair market value if church uses vehicle for charitable purpose
- **Under $500:** Can deduct FMV or $500, whichever is lower
- **Form 1098-C Required:** Must attach to tax return (church provides)
- **CRITICAL:** "Blue Book" value ≠ deductible amount (sale proceeds control)

Key Takeaways

Plan Ahead: Don't wait until Dec 31 for complex gifts (wire transfers, stock, QCDs)

Document Everything: Keep receipts, acknowledgments, and records for 7 years

Verify Status: Confirm church is qualified 501(c)(3) organization

Know Your Limits: 60% of AGI for cash, 30% for appreciated assets

Itemize Strategically: Only deduct if itemized deductions exceed standard deduction

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