

Questions and Answers

ABC's of charitable contributions for 501(c)(3) organizations

Exempt Organizations' Customer Education & Outreach (CE&O) provides answers to general questions posed by our phone forum attendees. The following are answers to questions submitted by attendees of the ABC's of charitable contributions for 501(c)(3) organizations phone forum on December 19, 2013.

CE&O has helpful information on its [homepage](#) about charities and nonprofits and on our interactive website at [Stay Exempt](#).

Questions and Answers:

- 1. Does the Cardiovascular Disease Prevention Program for Youth + Stem qualify for 501(c)(3) status?**

You'll need to file a [Form 1023](#) application for determination on possible section 501(c)(3) status.

- 2. Can an exempt organization pay/reimburse a volunteer using the per diem rates from the GSA or another approved rate?**

Volunteers are reimbursed for actual expenses; for use of a personal vehicle, the reimbursement is either actual expense or 14 cents per mile.

- 3. Can a volunteer fire department receive tax-deductible donations?**

Yes. Donations to a non-profit volunteer fire department are generally deductible.

- 4. During the phone forum presentation, an example used to determine fair market value cited a \$65 payment for a dinner/dance that has a value of \$25. What factors should the nonprofit use to determine the fair market value? If the food and entertainment are donated – with no direct cost to the organization – can the entire payment be deductible?**

The catering company's donating services and goods to your organization is different transaction from patrons attending the event. Investigate what the fair market value of the catering company's services and goods donated to you and use that to establish how much of your ticket price is deductible and the amount attributed to your event. Services and goods donated to your organization bear no relationship to fair market value of the sponsored events with a charitable component.

5. Provide specific publications for unusual donations like guide animals for the blind.

Publications [526](#) and [1771](#) cover donation of goods and services.

6. What kind of expenses can be deducted when a student living with you?

You can deduct qualifying expenses for a foreign or American student who:

- Lives in your home under a written agreement between you and a qualified organization as part of a program to provide educational opportunities for the student
- Is not your relative or dependent
- Is a full-time student in 12th grade or lower grade at a U.S. school

You can deduct up to \$50 for each full calendar month the student lives with you. Any month when conditions (1) through (3) above are met for 15 or more days counts as a full month. See [Publication 526](#) for more details.

7. How can I determine if my entity is a 50% limit organization? Also my organization has received at least 11 hours of service from Planned Parenthood. An educator provided 11 one-hour sessions to the group of youth associated with my organization. The educator told me she doesn't require a written acknowledgement. Should I give her an official acknowledgement letter anyway?

You should be able to determine whether you're a 50% limit organization from your Determination Letter. You can also call the IRS's toll-free line at **1-877-829-5500** to find out if your organization is a 50% limit organization. You don't have to issue a written acknowledgement if your organization receives contributions, services or goods from another tax-exempt organization. The value of a person's time or services is not deductible.

8. What references does the IRS have regarding donations of real estate to a charitable organization?

The form and requirements of the written acknowledgement from donee depends on the form and the amount donated. The following resources will assist you.

- [Publication 526](#), Charitable Contributions
- [Publication 1771](#), Charitable Contributions - Substantiation and Disclosure Requirements

9. During the presentation, one of the slide bullets read, "A description and good faith estimate of the value of any goods or services described in (b)." What does this mean?

This sentence refers to anything of quantifiable value transferred by the donor without compensation to the charity. The following resources will help you decide what information should be included in the written acknowledgement.

- [Publication 526](#), Charitable Contributions
- [Publication 1771](#), Charitable Contributions - Substantiation and Disclosure Requirements

10. My church is currently soliciting year-end contributions and the fulfillment of pledges made earlier in the year. If a donor mails a contribution on December 31, or makes a credit card contribution on December 31, the church will not have any knowledge of this contribution until January.

If the donor can provide evidence of the constructive delivery date, that is the date the charity should use for its written acknowledgement. For example, if the donor's envelope is postmarked by 12/31/2013 or the donor has a credit card receipt dated 12/31/2013 for the donation; the donee should give an acknowledgement for 2013.

11. Written acknowledgement must include the amount of the contribution and the date the contribution was received by the organization. In this case, should the church or other exempt organization list the donation as a 2013 contribution with a receipt date of January 2014? Does the IRS have a recommended format for acknowledging donations, which occur before year-end but are actually received in January? I'm hoping to provide written guidance to this local church and other exempt organizations with similar questions.

The form and requirements of the written acknowledgement from donee depends on the form and the amount donated. The following are resources that will assist you with what information should be included in the written acknowledgement.

- [Publication 526](#), Charitable Contributions
- [Publication 1771](#), Charitable Contributions - Substantiation and Disclosure Requirements

12. If a donor wants to contribute non-cash inventory to a charity's overseas branch and the goods are shipped before 12/31/13 – but our branch does not take physical possession of the inventory until after 1/1/14 – can the donor take the deduction in 2013?

The donor can take the deduction in the year of constructive delivery to the charity. The mailbox rule generally applies.

13. What kind of receipt should the charity issue? Should it use the shipping document date that shows the organization as the recipient and the date leaving the U.S. port as the date of donation?

The form and requirements of the written acknowledgement from the donee depends on the amount donated. Review the following resources:

- [Publication 526](#), Charitable Contributions

- [Publication 1771](#), Charitable Contributions - Substantiation and Disclosure Requirements

14. If the charity issues a receipt with a January 2014 date (when it obtains physical possession), can the donor still take the deduction for 2013 if the acknowledgment and receipt is issued to the donor prior to filing 2013 taxes?

If the donor can provide evidence of the constructive delivery date, that is the date the charity should use for its written acknowledgement. For example, if the donor's envelope is postmarked by 12/31/13 or the donor has a credit card receipt dated 12/31/13 for the donation; the donee should give an acknowledgement for 2013.

15. Explain the option that an organization exempt under a subsection of code section 501 *other than* 501(c)(3) has to establish a charitable fund, contributions to which are deductible. A Guidestar document states, "Such a fund must itself meet the requirements of section 501(c)(3) and the related notice requirements of section 508(a)." Is this referring to a charitable donor-advised fund at a community foundation, or is it some kind of separate fund/bank account the non 501(c)(3) organization starts and files special tax papers on?

Only qualified organizations may receive tax-deductible charitable contributions. You can ask any organization whether it is a qualified organization, and most will be able to tell you. Or go to IRS.gov, click on "Tools," and then on "[Exempt Organizations Select Check](#)." This online tool will enable you to search for qualified organizations. You can also call the IRS to find out if an organization is qualified. Call **1-877-829-5500**.

16. If a company donates a new vehicle it purchased for a nonprofit and improved the vehicle, how best to handle the contribution? The vehicle is an electric and qualifies for a \$12,500 tax credit. The company would pay the car dealership directly and pay two more vendors for the improvement work. Would this be considered a charitable donation and, if so, what filing requirements or other steps would be necessary?

Non-cash charitable contributions that exceed \$5,000 must have a written appraisal to validate fair market value and at the expense of the donor. The donee organization must provide the donor with [Form 1098-C](#), Contributions of Motor Vehicles, Boats, and Airplanes and sign Part IV of Section B of [Form 8283](#), Noncash Charitable Contributions. In addition, the donee organization must file [Form 8282](#), Donee Information Return (Sale, Exchange or Other Disposition of Donated Property). Other helpful resources include:

- [Publication 526](#), Charitable Contributions

- [Publication 1771](#), Charitable Contributions - Substantiation and Disclosure Requirements
- [Publication 4302](#), A Charity's Guide To Vehicle Donations
- [Publication 4303](#), A Donor's Guide To Vehicle Donations

17. Can an organization that has not yet received approval of its Form 1023 receive charitable contributions? If so, can the donor deduct such a contribution on his her tax return in the year the donation was made?

You may receive charitable contributions while your application is in applied for status. However, you should inform your charitable contributors that you're in applied for status. If your application is denied exemption, the contributor must amend the tax return and remove the contributions.

18. Are contributions to business leagues deductible by the donor? Also, does a donor need written acknowledgement from a charitable organization for several non-cash contributions each of which is less than \$250 but together total over \$250? If yes, is the charitable organization required to provide such written acknowledge for each of the donation or just one acknowledgement for all the donations?

Contributions to business leagues are not deductible as charitable contributions for income tax purposes. Each non-cash charitable donation donated in a separate event should receive an acknowledgement.

For more valuable information review:

- [Publication 526](#), Charitable Contributions
- [Publication 1771](#), Charitable Contributions - Substantiation and Disclosure Requirements

19. How can I verify the local/city government receive or apply tax exemption status?

You'll need to check with your local/city government. State and local municipalities do not have to apply for federal tax-exemption.

20. Where can I find a report showing me the non-profit organization starting and terminating (if applicable) date?

We don't make available the starting date of a nonprofit on our website. You can check to see if an organization is exempt or revoked by visiting this [webpage](#).

21. Does the city or local or state government require filing Form 990 annually?

A governmental unit or an affiliate of a governmental unit that meets the requirements of [Revenue Procedure 95-48](#), 1995-2 C.B. 418, does not have to file Form 990.

22. Can the local government as a non-profit organization run as a profit organization?

State and local governments are exempt from federal taxation, but they may run a taxable enterprise.

23. Who will hold the responsibilities for non-compliance and/or illegal activities of the organization?

The board of directors, trustees and officers are responsible for the activities of a non-profit organization

24. Can an organization (not a non-profit organization) collect and deposit the donation monies on behalf of the non-profit organization?

Yes, but the donation made directly to a for-profit are not deductible as tax-exempt charitable donation by the original donor.

25. If a person pays for a service, and decides rather than request an reimbursement from the charity, he wants to donate the payment of the service, how should this be documented by the charity?

The donor may deduct the amount paid as a charitable contributions if he or she is not reimburse. The requirements of the written acknowledgement from the donee depend on the amount donated. Review the following resources.

- [Publication 526](#), Charitable Contributions
- [Publication 1771](#), Charitable Contributions - Substantiation and Disclosure Requirements