

Acknowledging in-kind gifts

There is no question that individual donors should be thanked for their contributions, but thanking a donor is technically separate from providing that person with a receipt for income tax purposes.

To the extent that a donor has requested or otherwise expects written acknowledgment that can be used for income tax purposes:

- It is preferable for the acknowledgment to describe the gift without valuing it.
- Acknowledgment should describe the extent to which the congregation provided goods or services to the donor in return for the gift.

If the gift is one of property:

- The acknowledgment should state whether and how the organization intends to use the gift for a purpose related to its mission.
- Note that some property gifts, especially higher value property gifts, have more tax compliance requirements for both the donor and the recipient congregation. It is always a good idea to review IRS reference materials.

If the gift is a service:

- The acknowledgment can describe how the service benefited the congregation, while also stating that IRS regulations do not allow a deduction based on the acknowledgment.

IRS resources are readily available [here](#).

When members or friends of our congregations make contributions in the form of goods or services, how do we record and acknowledge their gifts? There is no question that donors need to be thanked when they make contributions to our congregations. But thanking and providing a tax receipt are separate matters. This distinction is particularly important when a congregation receives contributions in the form of goods or services.

Value to congregation—thanking donors

If an individual donor makes a contribution of a good or service—a gift “in kind”—the value to the congregation includes a savings for not having to expend resources to obtain the contributed good or service, and we say thank you to the donor. This thank you—whether through public recognition or written acknowledgment—can state that a donor’s generosity resulted in a general cost savings to the congregation, and it can go so far as to state how much it would have cost the congregation to purchase the contributed good or service. A thank you can be expressed multiple times, in multiple ways. Nevertheless, an acknowledged monetary value to the congregation is not necessarily the amount an individual donor can claim as an income tax charitable contribution deduction.

Value to donor—tax receipt

It is not a charity’s role or responsibility to value a contribution for income tax purposes, except to state the value of goods or services provided in exchange for a contribution. Ideally, regarding gifts of goods or services, a receipt for income tax purposes should describe the gift *without placing a value on it*. Such written acknowledgment should include a statement that no goods or services were provided in return for the contribution (if this is the case), or perhaps that goods or services that the congregation provided (if any) in return for the contribution consisted entirely of intangible religious benefits (if this is the case). For any type of property gift, there should also be a statement about how the congregation will use the property. This type of receipt should be provided once for each contribution. Hence, it is not a surprise that a congregation’s professional adviser is likely to recommend that a congregation provide tax receipts separate from thank you letters.

IRS Publication 1771—*Charitable Contributions: Substantiation and Disclosure Requirement* goes into more detail, listing the specific elements of information required if a contribution's value is \$250 or more, for example.

Donor's responsibility to determine value

If a person wishes to claim an income tax deduction for contributing a good or service, it is that individual's responsibility to seek whatever professional support may be needed to value the gift. In addition to seeking the services of a competent professional, a donor can find an overview of valuation requirements within IRS Publication 561—*Determining the Value of Donated Property*. Various other issues related to claiming charitable deductions are addressed in IRS Publication 526—*Charitable Contributions*.

Forms 8283 and 8282 for property contributions over \$5,000

For a gift of property valued at \$5,000 or less, or for a gift of publicly traded securities, the donor completes Section A of IRS Form 8283—*Noncash Charitable Contributions*. This section of the form does not include a part that needs to be acknowledged by a recipient congregation. For property (other than publicly traded securities) valued over \$5,000, the donor needs to back up the value determination through the services of an appraiser qualified to appraise the particular property, and the donor and appraiser need to complete Section B of Form 8283. The recipient congregation must complete a section of Form 8283 called "Part IV—Donee Acknowledgment." This acknowledgment should only be filled out by the congregation after the first three parts have been completed by the donor and the appraiser. Section B, Part IV of Form 8283 requires that the congregation's representative declare whether the donated property will be used by the congregation for a use unrelated to the purposes of the congregation. IRS instructions for Form 8283 are a source of guidance for fulfilling this requirement. The congregation's representative should make a copy of the form before returning the original to the donor.

It is important for the congregation to maintain a copy of the Form 8283 donee acknowledgment because it affirms that if the congregation sells, exchanges or otherwise disposes of the property (or any portion thereof) within three years after the date of receipt of the contributed property, the congregation will file Form 8282—*Donee Information Return* with the IRS.

Other property gift considerations

In general for a congregation, whether a gifted property is real estate or personal property like artwork, selling it for cash or other value is an *unrelated* use, one that is not related to its mission. Fundraising is not a purpose of a congregation. The extent to which a donor can deduct the value of such a noncash gift depends on whether the gift is intended to be used by the congregation in a use that furthers its mission. In other words, if personal property is needed and used by a congregation, i.e., without selling it, the donor can probably claim a fair market value deduction. If the item will be sold or raffled, the donor may only be able to claim the lesser of cost basis or fair market value. Gifts of securities are an exception.

The IRS oversees additional requirements for donations of motorized vehicles—cars, boats, airplanes. Information about these types of gifts can be found within IRS Publication 4302—*A Charity's Guide to Vehicle Donations*.

Gifts of service

If a noncash gift is a service, e.g., a donor is an electrician who installs a light fixture in the narthex, the donor cannot deduct the value of his or her time or services. It is a helpful reminder to the donor if the congregation's acknowledgment letter states that IRS regulations do not allow a deduction based on the acknowledgment. See IRS Publication 526—*Charitable Contributions*.