

Date: December 3, 2019

To: Bookkeepers & Business Managers, Pastors,  
School Administrators, & Development Directors



From: Parish Accounting

Re: **Acknowledging Charitable Contributions - Calendar Year 2019**  
**Issue by January 31, 2020**

This memo provides guidance to ensure your location complies with the Internal Revenue Service (IRS) requirements in issuing tax acknowledgements to donors that can claim a federal tax deduction or reduce their tax liability.

Donations received or postmarked by 12/31/19 are recorded as a 2019 tax donation. Donations received or postmarked 1/1/20 and after are recorded as a 2020 donation. Here is a standard bulletin announcement to remind donors of year end giving rules: *“As we prepare for year end, to comply with federal law, donations must be received (or postmarked) by 12/31/19 to be included on your 2019 parishioner statement. If received (or postmarked) on 1/1/20 or after, the donation will be included on your 2020 statement. We cannot accept donations in 2019 for 2020 or in 2020 for 2019. Thank you for your understanding and generosity!”*

The attachment addresses common types of charitable contributions and how they should be handled. Please review and ensure your locations are handling these correctly. Coordinate with the grain elevators and donors if change is needed. We don't have the authority to give exceptions to the IRS rules. This could jeopardize your location's tax-exempt status.

Donations are recorded in your accounting and contribution software as of the date of the collection, rather than the deposit date. Before issuing the parishioner statements, run an annual report (1/1/19 to 12/31/19) from your contribution software (e.g., ParishSoft, ServantKeeper...) and compare the amounts to the donations recorded in QuickBooks to ensure they agree.

The IRS requires the donor to have a bank record (such as a cancelled check) or written communication from the charity for any monetary contribution to claim a deduction on the tax return. A written acknowledgment from the charity is needed to claim any single contribution of \$250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250 or more.

**Issue parishioner statements and acknowledgments by January 31, 2020 to ALL donors, not only those donating \$250 or more, to show appreciation and encourage giving.**

Written statements must contain the following:

- Name of location, name of donor and date of donation;
  - Amount of cash contribution and description of non-cash contribution (but not value);
  - Whether the location provided any goods or services in consideration for the contribution;
  - Description and good faith estimate of value of goods or services provided by location, or if goods or services consisted entirely of intangible religious benefits, a statement to that effect.
- Sample acknowledgement letters are on the diocesan website in the bookkeeper manuals. Copies of acknowledgement letters need to be kept, regardless of whether they are maintained in the business office or development office, they must be readily available.

Consider pre-printing the parishioner statements with a notice such as: *“This statement is for your records. Please examine carefully. If the amount does not agree with your records, please contact <insert name and number>, parish bookkeeper.”*

Include specific language on the statement for monetary contributions. If you select the feature, some software systems will populate: *“This acknowledgment provided pursuant to section 170(f)(8) of the Internal Revenue Code. (Your Location Name) in no manner provided any goods or services in connection with this contribution.”*

Please ensure you understand and follow the IRS tax rules, it’s important that your location comply with these requirements. Please call if you have questions:

Linda Topf, 712-233-7593, [lindat@scdiocese.org](mailto:lindat@scdiocese.org)  
Julie Mahaney, 712-233-7515, [juliem@scdiocese.org](mailto:juliem@scdiocese.org)

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### **Attachment – Charitable Contribution Acknowledgements**

**Cash/Check** – Parishes should record these donations in their contribution records using the date donated (NOT the date deposited) and then issue annual contribution statements to all parishioners – Be cautious that you don’t acknowledge via a letter and in the contribution records – If you feel the need to acknowledge via a letter, make reference that the donation will be included in the year end statement.

**Christmas bonuses/gifts** – Donations received for the pastor and others are NOT tax deductible – We suggest parishioners give gifts directly to the pastor or individual – Bonuses paid to employees (including the pastor) should be paid via the payroll check – Christmas gifts of less than \$100 may be paid via cash but only with written approval by the pastor. Gifts from women and men’s clubs should be discouraged.

**Fundraisers** – Donors who get something in return for their donation should only receive an acknowledgement for the amount given over and above the benefit received – For example, when purchasing a ticket to a dinner, if the ticket was \$80 and the dinner cost \$30 – The acknowledgement would be for \$50 – Acknowledgements are NOT given for merchandise, raffle tickets, cost of bingo etc.

**Grain Donations** – Grain is donated to the location – The location sells the grain – The grain ownership transfer form is completed – Provide a thank you acknowledging the receipt of grain identifying the number of bushels, date donated and date your location received the grain at the elevator – Do NOT list the value nor include IRS language – Also don’t include the value in the contribution records or on year

end statements as this is not a cash donation – Checks received from the elevator that don't follow this process should be returned – Refer to the guidelines on the diocesan website.

**In-kind/Property Donations** – provide a thank you letter describing the property/item donated noting the date of the donation but NOT a value. Include IRS language. The letter serves as an acknowledgement for tax purposes and per the federal tax code, the donor must assign his/her own value. Do NOT include in-kind/property donations in your contribution records or on year end statements. It's best that the parish or school pay for location expenses directly and parishioners provide donations to cover the cost as oppose to the parishioner directly paying for the expense and then receiving an in-kind donation.

**IRA Distributions (QCDs)** – The check is received directly from the investment company – The donor receives the benefit of a tax-free distribution when donating money from an IRA to the charitable location – Provide a tax acknowledgement and include the name of the payor (investment company) – The value is NOT recorded in your contribution records or on year end statements, this is not a cash donation.

**Service (Time & Talent) donations (aka Volunteer Time)** – This is NOT an IRS allowable tax deduction – A value should NOT be determined – A value should NOT be recorded in the contribution software nor included on the contribution statement – Simply provide a thank you letter to the individual for the gift of his/her services to the location – Do NOT include the IRS language.

If an independent contractor does not charge for his/her service, provide the contractor with a thank you letter, IRS language is not included – If the contractor wishes to donate his/her service and wants a tax deduction, pay the contractor for the service, he/she can write a donation check back to the parish.

A tax acknowledgement can be given for direct costs that were incurred in association with the donation. For instance, if a volunteer mows the parish lawn, pays for gas and wishes to donate the cost, the volunteer can receive an acknowledgement for the cost of the gas if a receipt is provided.

**Stock donations** – Provide a thank you acknowledging the stock donation – Identify the name of the stock, number of shares, date of donation, high, low and fair market value – Include the IRS language – Do NOT include the stock donation in your contribution records or on year end statements.

**Together As One (TAO)** (*previously Diocesan Annual Appeal/DAA*) – Do NOT include these donations in your contribution records or provide other acknowledgements to donors – The diocesan finance office acknowledges these.

**Tuition payments** – Tuition payments are NOT tax deductible regardless of the method in which tuition is paid – Money given by a parent, grandparent, or other to reduce a specific students tuition is not a donation – A tax acknowledgement should not be given.

**Summary:** All donations deserve a thank you whether or not they qualify for a tax donation.

***This list is not all inclusive!***

Refer to IRS Publications 526 and 1771 at [www.irs.gov](http://www.irs.gov) for additional information.