

Church Law & Tax Report

YOUR CHARITABLE CONTRIBUTIONS:

7 Things Every Church Member Needs to Know

By Richard Hammar, J.D., LL.M., CPA

1. If I make a contribution in early January 2010, can I claim it on my 2009 taxes? No. Charitable contributions must be claimed in the year in which they are delivered.

Example: Mary writes a check to her church on December 31, 2009, and deposits it in the church offering on Sunday, January 3, 2010. Her check is not deductible on her 2009 taxes. She can claim it on her 2010 tax return.

2. If I mail my contribution in December 2009, but it doesn't reach my church until January 2010, for which year should I claim it? On your 2009 tax return. A check that is mailed to a charity is deductible in the year the check is mailed (and postmarked), even if it is received early in the next year.

Example: Mary mails (and postmarks) her check in December 2009. Her church doesn't receive the check until January 2010. The check is deductible on Mary's 2009 tax return.

3. Can I deduct the value of volunteer work I did for the church? No. The value of personal services is never deductible as a charitable contribution. However, unreimbursed expenses you incurred in performing services on behalf of a church or other charity may be. For 2010, you can use a "standard mileage rate" of 14 cents to compute a deduction for any miles you drive in performing services for your church. Be sure to maintain accurate records.

Example: John is an electrician. He donates 10 hours of time to his church's construction

project. He cannot deduct the value of his donated labor, but he can deduct the value of materials he purchased in performing the donated labor.

Example: Several church members go on a short-term missions project to another country. The value of their labor is not deductible, but they can deduct their unreimbursed travel expenses (transportation, meals, lodging) incurred in performing the project.

4. I gave \$135 to my church when I registered for a spring retreat. Can I deduct that? No, assuming you received benefits (e.g., lodging, instruction, materials) worth \$135 or more. Charitable contributions generally are deductible only to the extent they exceed the value of any premium or benefit received by the donor in return for the contribution.

5. Is there any limit to the amount of my contributions I can deduct on my taxes? Yes. A contribution deduction ordinarily cannot exceed 50 percent of a donor's adjusted gross income (a 30 percent rule applies in some cases). Donors who exceed these limits may be able to "carry over" their excess contribution and deduct it in future years.

6. I designated my contribution to the church benevolence fund. Is it deductible? That depends. "Designated contributions" are those made to a church for a specified purpose. If the purpose is an *approved project or program* of the church, you can deduct the contribution (if you claim itemized deductions on Schedule A).

Example: Your \$100 gift designating the church benevolence fund is deductible.

However, if you specify that your contribution be applied to a named *individual*, then no deduction is allowed—unless the church exercises full administrative and accounting control over the donated funds.

Example: You donate \$200 to the church and instruct the church treasurer to give the \$200 to a specified needy family in the church. This contribution is not tax-deductible.

Contributions to a church or missions agency that designate a particular missionary may be tax-deductible if the church or missions agency exercises full administrative control over the contributions and ensures that they are spent in furtherance of the church's tax-exempt purposes.

Example: You donate \$75 to a denominational missions agency and specify a particular missionary as the recipient. This contribution is tax-deductible, even though it names a missionary, so long as the missions agency has full administrative and accounting control over the funds.

7. What kind of records do I need in order to prove I made a contribution?

For individual cash contributions of under \$250. You must have a bank record (such as a cancelled check) or a receipt from the church containing the church's name, and the date and amount of each cash contribution.

For individual contributions (cash or property) of \$250 or more: You must receive a written receipt from your church that indicates whether you received goods or services for your contributions (and if so, the value of the goods or services received).

If you received no goods or services for the contributions, then the receipt must say so or indicate that only "intangible religious benefits" were received. If you've made individual contributions of \$250 or more, don't file your federal income tax return until you receive a contribution statement from your church that satisfies these requirements. Otherwise, your contributions may not be deductible. Canceled checks cannot be used to substantiate cash contributions of \$250 or more.

For non-cash property valued at \$500 or more: Other rules apply (see the instructions to IRS Form 8283). If the value is more than \$5,000, you must obtain a qualified appraisal of the property and attach an "appraisal summary" (IRS Form 8283) to the tax return on which the contribution is claimed. Some exceptions apply.

For contributions of cars, boats, or planes: If a church sells the donated property without significant use, the donor's contribution deduction is limited to the sales proceeds. In addition, the church must provide the donor, and the IRS, with a written acknowledgement (use IRS Form 1098-C) by the deadline prescribed by law. If the church "significantly uses" the property, the donor can deduct the market value. However, the church must still provide Form 1098-C to the donor and the IRS. See the instructions to Form 1098-C for more details.

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