

Battershell & Nichols
welcomes you

2020 Year End Update

The presentation will begin shortly...



BATTERSHELL & NICHOLS
A PROFESSIONAL SERVICE CORPORATION

CPE needed?

Within one week, send an email requesting CPE and
list CPE codes provided during presentation to:

info@battershellnichols.com

ALL CPE CODES ARE PROVIDED IN THE PRESENTATION VIA POLLS

2020 Year End Update

December 9, 2020

Charitable Contribution Reporting

By: Rick Battershell

IRS Rules for Receipting Contributions

- ▶ BEFORE filing tax return, donor must have a receipt showing*
 1. Name of organization (helpful if also signed with title indicated)
 2. Name of the donor
 3. Letter should be dated and received before the donor's tax return is filed
 4. Date and total amount of each contribution of \$250 or more
 - Each contribution "in cash" of any amount must be listed to be deductible
 5. Statement including wording stating no goods or services were provided to the donor except intangible religious benefits

*IRC Sec 170(f)(8)

Example Contribution Statement

Jan 21, 2021

FIRST CHURCH
123 Church Street
Seattle, WA

Fred Jones
123 Elm St
Seattle, WA

Dear Mr. Jones:

Thank you for your contributions and support listed below.

In accordance with IRS regulations, the church confirms that no goods or services were provided to the donor in exchange for the following contributions except for intangible religious benefits.

Sincerely
M. Green, Treasurer

<u>DATE</u>	<u>General Fund</u>	<u>Missions</u>	<u>Building</u>	<u>Total</u>
2/1/2020	600.00			600.00
3/1/2020			1,000.00	1,000.00
4/1/2020	300.00			300.00
5/1/2020	300.00			300.00
6/1/2020	300.00			300.00
7/1/2020	300.00			300.00
8/1/2020		200.00	100.00	300.00
9/1/2020	300.00			300.00
10/1/2020	300.00			300.00
12/1/2020	600.00			600.00
	\$3,000.00	\$200.00	\$1,100.00	\$4,300.00

Receipt Required by Donor for Deduction

- ▶ If the donor gave any amount of cash or a check for \$250 or more, he must have the receipt BEFORE filing tax return
- ▶ Sample announcement for your church bulletin or newsletter
- ▶ **IMPORTANT NOTICE:** *To ensure the deductibility of your contributions, please do not file your 2020 income tax return until you have received a written acknowledgement of your contributions from the church. You may lose a deduction for some contributions if you file your return before receiving written acknowledgement of your contributions from the church.*

Year of Contribution

*"Ordinarily, a contribution is made at the time delivery is effected. The unconditional delivery or mailing of a check which subsequently clears in due course will constitute an effective contribution on the date of delivery or mailing."
Treas. Reg. 1.170A-1(b).*

Church reports as 2020 contribution:

- ▶ Check written in 2020, deposited in offering on 12/27/2020
- ▶ Check written, mailed, and postmarked by 12/31/2020, church deposits in 2020 or 2021

Church reports as 2021 contribution:

- ▶ Check written in 2020, deposited in offering on 12/24/2020, but postdated to 1/1/2021
- ▶ Check put in 1/6/2021 offering but written and dated on 12/31/2020
- ▶ Check written and mailed by 12/31/2020 but not postmarked until 1/2/2021

Stock Contributions

- ▶ **Mailing** - If a member mails a stock certificate to the church, the gift is completed on the date of delivery
- ▶ **Transfer** - If a member delivers the stock certificate to his bank or to the issuing corporation, the gift is completed on the date the stock is transferred on the books of the corporation. 1.170A-1(b)



Stock Contributions

▶ Fair Market Value (FMV)

If there is an active market for the stocks or bonds on an exchange, over-the-counter market or elsewhere, the FMV is the average price between the highest and lowest selling prices on the valuation date

▶ **Example:** On the date of the contribution, the highest selling price per share was \$11, and the lowest \$9, the average price is \$10

- IRS Publication 561



Designated Contributions

Must be "to or for the use of" qualified charitable organizations. *IRC 170(a), (b), (c)*



1. A gift is not considered a contribution if it is a conduit to a particular person
2. Test: Does the organization have full control of the funds, and discretion as to their use?
3. If the contributions are marked for a specific individual or received with an understanding they will be so used, they are not deductible by the taxpayer

Designated Contributions

4. To determine if a contribution is made for the use of the organization, the organization must have full control of their use and the contributor's INTENT must be to benefit the organization, not the individual
5. Earmarking Specific Purposes - Donors can earmark contributions that are still tax deductible. This usually happens when an organization initiates an appeal for funds with a specified purpose
 - o Example- building funds, benevolence funds
6. We recommend communicating that the church will make every effort to honor donor designations, but the church has discretion to determine how best to use all contributions

Designated Contributions- Examples

▶ Benevolence funds

- o Donors can make suggestions, but they will be deemed advisory, not mandatory. The board retains full control and discretion
- o See Church and Clergy Tax Guide, 2020 edition, p. 383

▶ Scholarship funds

- o If specifying a particular student, then will not be deductible (PLR 9405003)
- o Must benefit a "large and indefinite class of beneficiaries" (PLR 9631004)
- o See Church and Clergy Tax Guide, 2020 edition, p. 390-397

Designated Contributions- Examples

▶ Foreign missionary

- Donors can suggest a specific use for donations as long as the church has full control to use the funds (PLR 200530016)
- See Church and Clergy Tax Guide, 2016 edition p. 375-380



▶ Pastor Designated gifts

- Parent's gift to church to supplement son's wages as youth pastor, *Church and Clergy Tax Guide*, 2020 edition, p. 397

Noncash Contributions

- ▶ Example statement for contributions other than cars, planes, boats, etc.

November 17, 2020

First Church
123 Church Street
Seattle, WA 98101

To: John Jones

The church acknowledges receipt of a 2010 XYZ front loading washing machine ***in good used condition*** on October 31, 2020.

(Optional) The donor has valued the washing machine at \$450.

No goods or services were given to the donor in exchange for this contribution except for intangible religious benefits.

Signed Mr. Smith, Treasurer

Noncash Contributions

▶ **REQUIRED WORDING:**

“In good used condition or better”
 - The receipt must state the condition of the property

Only household good donations in “good or better condition” qualify for a charitable deduction

▶ The limitation on “good used condition” does not apply food, art objects, jewelry, gems, or collections, as well as individual items of clothing or household goods with a value of \$5,000



Noncash Contributions > \$5,000

▶ **Form 8283** and appraisal required (tax law contains definition of who qualifies as an appraiser)

▶ **Form 8282** - Sale of tangible personal property within 3 years

Form 8283 Noncash Charitable Contributions
 (Rev. December 2009) OMB No. 1545-0074
 Department of the Treasury Attachment Sequence No. 155
 Internal Revenue Service

▶ Attach one or more Forms 8283 to your tax return if you claimed a total deduction of over \$600 for all contributed property.
 ▶ Go to www.irs.gov/Form8283 for instructions and the latest information.

Name(s) shown on your income tax return: _____ Identifying number: _____

Note: Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of \$5,000 or Less and Publicly Traded Securities— List in this section **only** an item (or a group of similar items) for which you claimed a deduction of \$5,000 or less. Also list publicly traded securities and certain other property even if the deduction is more than \$5,000. See instructions.

Part I Information on Donated Property— If you need more space, attach a statement.

1	(a) Name and address of the donee organization	(b) If donated property is a vehicle (see instructions), check the box. Also enter the vehicle identification number (unless Form 1099-C is attached).	(c) Description and condition of donated property (For a vehicle, enter the year, make, model, and mileage. For securities and other property, see instructions.)
A			
B			
C			
D			
E			

Note: If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (e), (f), and (g).

Unreimbursed Charitable Travel

Short term mission trips

- ▶ No deduction is allowed for contribution of services. However, unreimbursed expenses incurred while performing such services, may be deductible, including:
 - Transportation expenses (airfare, mileage, etc.)
 - ❖ Mileage rate = charitable rate of 14 cents per mile
 - Reasonable expenses for meals, lodging and incidental expenses
 - ❖ Treas. Reg. 1.170A-1(g)
- ▶ Each donor must track their own travel and out of pocket expenses
- ▶ The IRS must be assured that the travel was for charitable purposes, not for personal pleasure, recreation, or vacation
 - donors could maintain a travel report listing what was done each day

Unreimbursed Charitable Travel

Short term mission trips

- ▶ The church could provide a letter of appreciation, acknowledging that the volunteer paid their own travel expenses (for costs \$250 or more)
 - Description of services provided by the donor, and
 - Whether the church provided any goods or services in return for the donor's services, other than intangible religious benefits
 - ❖ If so, the estimated value of the goods and services would be provided

First Church
123 Church Street
Seattle, WA 98101

January 18, 2021

Dear Tim Smith:

This letter is to thank you for participating in a missions trip to Mexico sponsored by First Church in 2020. Your services of setting up and working in a medical clinic were very valuable. We acknowledge, for IRS purposes, that you personally incurred expenses for travel, lodging, food, and other miscellaneous expenses on behalf of the church for which you were not reimbursed. We confirm that the church provided no goods or services to you in exchange for these services except for intangible religious benefits.

Sincerely,
Bob Smith, Treasurer

Providing Goods/Services in Exchange for Contributions



- ▶ Common examples - auctions, raffles, meals, etc.
- ▶ The organization is penalized \$10 for each contribution without a required disclosure
- ▶ See *Church and Clergy Tax Guide*, 2020 edition, pp. 428-431

Tax-Free Distributions from IRAs

- ▶ IRA Distributions made to a qualifying charity are excluded from the IRA owner's income when:
 - IRA owner must be at least 70 ½ years old
 - Limited to \$100,000 per year
 - Assumes entire distribution would have qualified for a tax deduction
 - Temporary law in 2006, made permanent after 2014
 - ❖ IRC Sec 408(d)(8)

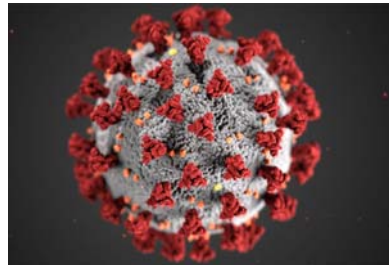


Written Acknowledgement

- ▶ Written acknowledgement from the church should include:
 1. The amount received
 2. That it was received directly from the IRA administrator with the intention to qualify as a charitable distribution from your IRA under IRC 408(d)(8)
 3. The charity warrants that it qualifies under IRC 170(b)(1)(A) and the gift was not transferred to a donor advised fund or a supporting organization described in 509(a)(3)
 4. Statement that no goods or services were received by the donor in exchange for this contribution, except intangible religious benefits

COVID-19 Related Charitable Contribution Rules CARES ACT

- ▶ \$300 above the line deduction
- ▶ 100% of AGI deduction limit
 - Noncapital gain



ECFA members 2020 vs 2019 Giving

Report available at: www.ecfa.org/stateofgiving

Webinar link at: www.ecfa.org/ProductDownload.aspx?ProductID=318

Year-to-Date Giving: Two Thirds Say 2020 Is Higher or the Same as 2019

Table 8

How were total cash donations for Jan-to-Sept 2020 (i.e., the first three quarters) compared to Jan-to-Sept 2019? "Actual giving this year has been..."

	Higher by...			Subtotal of "Same or Higher"	Lower by...					Subtotal of "Lower"
	More than 10%	1% - 10%	Same		1% - 10%	11% - 20%	21% - 30%	31% - 40%	More than 40%	
All 1,289 responses	22%	26%	14%	62%	18%	12%	4%	2%	2%	38%
Churches only	14%	30%	14%	58%	24%	11%	4%	1%	2%	42%
Nonprofits only	28%	23%	14%	65%	14%	12%	5%	2%	2%	35%

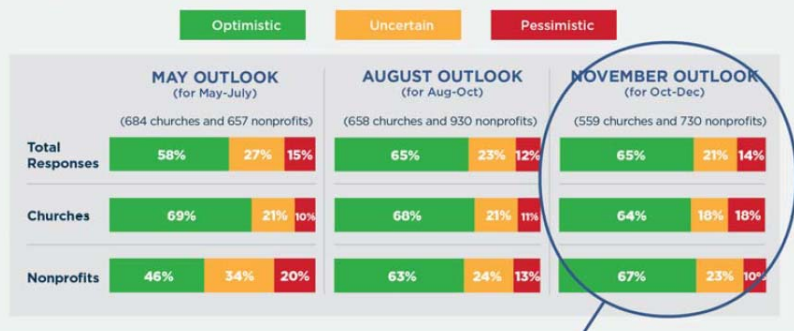
Data obtained from ECFA presentation- State of Giving 2020 Plus Defying the Odds

2021 ECFA Member Giving Outlook

Optimism Remains Strong— For Nonprofits It Continues to Inch Upward

Table 10

What is your outlook about total cash gifts/donations to your church or ministry, excluding one-time extraordinary gifts, over the next 3 months?



Data obtained from ECFA presentation- State of Giving 2020 Plus Defying the Odds

2020 and 2021 Cash Reserves (ECFA member survey)



Data obtained from ECFA presentation- State of Giving 2020 Plus Defying the Odds

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Thank you for joining us

Session #3 – Other IRS and WA State reporting
Wed 12/16 @ 12pm



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